HEALTH SERVICES AND DEVELOPMENT AGENCY FEBRUARY 26, 2014 APPLICATION SUMMARY

NAME OF PROJECT:

Methodist Healthcare-Memphis Hospitals d/b/a

Le Bonheur Children's Hospital

PROJECT NUMBER:

CN1311-042

ADDRESS:

100 North Humphreys Boulevard

Memphis (Shelby County), TN 38120

LEGAL OWNER:

Methodist Healthcare - Memphis Hospitals

1211 Union Avenue, Suite 700

Memphis (Shelby County), TN 38104

OPERATING ENTITY:

Not Applicable

CONTACT PERSON:

Carol Weidenhoffer

(901) 516-0679

DATE FILED:

November 13, 2013

PROJECT COST:

\$26,798,857.00

FINANCING:

Cash reserves

PURPOSE FOR FILING:

Hospital Construction in excess of \$5 million and the

initiation of Magnetic Resonance Imaging (MRI) Services

DESCRIPTION:

Methodist Healthcare-Memphis Hospitals d/b/a Le Bonheur Children's Hospital (Le Bonheur) is seeking approval for a pediatric outpatient center that is approximately 12 miles east of the hospital and will contain hospital based diagnostic imaging, rehabilitation services and general diagnostics and therapies for complex pediatric patients. The building will also include pediatric sub specialty physician offices. Physician offices are not reviewable under Tennessee CON law and will only be addressed in this summary to make clear how the building

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is being utilized. The diagnostic services will include the initiation of magnetic resonance imaging services and the acquisition of an MRI unit.

CRITERIA AND STANDARDS REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

The applicant is requesting the initiation of Magnetic Resonance Imaging (MRI) services. The applicant provided responses to the applicable criterion and standards to initiate MRI services.

It appears that this criterion has been met.

- 3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The applicant states that Le Bonheur has added 40 new pediatric subspecialty physicians to its medical staff since 2010 and plans to add more. The additional physician office visits will require hospital-based services including diagnostic imaging, general diagnostics and therapies and rehab services. The proposed outpatient pediatric center will allow patients and families to receive these services in one location.

It appears that this criterion <u>has been met</u>.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The building for the proposed pediatric outpatient center is currently utilized by Methodist and the West Clinic for adult cancer care services. The building will require renovation to meet hospital construction codes and make improvements required for treating pediatric patients.

It appears that this criterion has been met.

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MAGNETIC RESONANCE IMAGING SERVICES

- 1. <u>Utilization Standards for non-Specialty MRI Units.</u>
 - a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The proposed MRI scanner for the pediatric outpatient center is expected to perform 1,200 procedures in Year 1, 1,350 procedures in Year 2, and 1,500 procedures in Year 3. Being that this MRI unit will be one of three regular units available from Le Bonheur, which currently operates two regular MRI units on the main hospital campus, overall utilization for the three units should be considered. (The applicant also operates an iMRI unit, which is a specialty unit used during neurosurgery) The applicant projects that the 3 MRI units will perform 7,752 procedures or an average 2,584 procedures per unit in Year 1 and 8,164 procedures or an average of 2,721 procedures in year 2.

Even though the proposed MRI unit in the proposed pediatric outpatient center is not expected to attain the minimum utilization standard by the third year of operation, it appears that the Le Bonheur 3 MRI unit service is on track to meet that standard.

b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

This criterion is not applicable.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

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The applicant states that the proposed MRI will treat pediatric patients who require special care and sedation during diagnostic procedures. It appears that this criterion <u>has been met.</u>

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

This criterion is not applicable.

e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

This criterion is not applicable.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The applicant has designated Shelby, Fayette, and Tipton Counties in Tennessee; and DeSoto and Marshall Counties in Mississippi as the pediatric outpatient center's primary service area. The applicant reports that in 2012 78% of Le Bonheur outpatients visits were from residents of this primary service area.

It appears that this criterion has been met.

3. <u>Economic Efficiencies</u>. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

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The applicant states that alternative services and technologies were investigated; however existing outpatient providers in the service area do not care for complex pediatric patients or offer pediatric sedation for all ages.

It appears that this criterion has been met.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelvemonth period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

There were a total of 40 stationary MRI units with an average of 2,746 procedures per MRI in the proposed service area in 2012.

It appears that this criterion has not been met

- 7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.
- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The applicant has provided documentation that verifies the proposed MRI meets FDA certification requirements.

It appears that this criterion has been met.

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b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant has provided a letter dated November 11, 2013 from an architectural firm that affirms the proposed MRI physical environment conforms to applicable codes and standards.

It appears that this criterion has been met.

c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The applicant indicates clinical technicians will be on the premises trained in basic pediatric life support when the patient is being scanned. If necessary a patient can be transported by ambulance 12 miles to Le Bonheur Children's Hospital main campus.

It appears that this criterion has been met.

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant states that there are established standard protocols in place for Le Bonheur to ensure all MRI procedures are medically necessary and will not unnecessarily duplicate other services.

It appears that this criterion has been met.

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant indicates that Le Bonheur is fully accredited by the American College of Radiology.

It appears that this criterion has been met.

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f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The applicant indicates that Le Bonheur is fully accredited by the American College of Radiology. The applicant also notes that Le Bonheur is in good standing with the Joint Commission.

It appears that this criterion <u>has been met</u>.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant points out that the pediatric outpatient center is part of Le Bonheur Children's Hospital and emergencies will be transferred to the hospital at the main campus.

It appears that this criterion has been met.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant indicates data will be submitted within the expected time frame.

It appears that this criterion <u>has been met</u>.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:
- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

The applicant indicated that this criterion was not applicable.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

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The applicant is a children's hospital.

It appears that this criterion has been met.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with all TennCare managed care organizations that are in the service area and participates in other state Medicaid programs and Medicare.

It appears that this criterion has been met.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

The applicant states that the proposed MRI will treat pediatric patients who require special care and sedation during diagnostic procedures.

It appears that this criterion has been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

The proposed pediatric outpatient center consolidates existing pediatric services to include outpatient rehab services currently in Germantown, pediatric subspecialty physician offices and affiliated diagnostic services from Estate Place in Memphis, and pediatric subspecialty physician offices and affiliated audiology services and pulmonary diagnostics from Wolf River Boulevard in Germantown. Additionally the project will add other supporting services. The applicant provides a chart on Page 6 of the application that provides a breakdown of sub-specialty physician offices and hospital-based services. This chart is duplicated below:

PHYSICIANS	HOSPITAL-BASED SERVICES						
Subspecialty Physician Offices	Multidisciplinary Clinics	Rehabilitation Services	Diagnostic Imaging	General Diagnostics and Therapies			
 Allergy Cardiology Endocrinology Gastroenterology Genetics Nephrology Neurology Otolaryngology Pulmonology General Surgery Urology 	• Feeding Clinic • Plastics/ Craniofacial Clinic	 Physical Therapy Occupational Therapy Speech and Language Therapy Hydro Therapy Sensory Motor Therapy 	UltrasoundFluoroscopyX-RayMRICT	 Audiology Pulmonary Diagnostics Lab Draw EKG ECHO EEG Infusion Services Pre-surgery Workup Urodynamics 			

Facility Information

Le Bonheur will renovate 26,360 square feet of an existing building to house the hospital based services in the new pediatric outpatient center. The total building consists of 50,885 square feet. The remaining 24,495 square feet will be used to house the pediatric sub-specialty offices. Physician offices are not reviewable under Tennessee CON law so that the physician office square footage will not be included in project cost calculations. Le Bonheur subleases the building from West Partners, LLC. The building has two floors and the breakdown of services by floor is as follows:

First Floor-

o Rehab Space-3 age specific gyms, 14 therapy rooms, kitchen for feeding therapy

 Diagnostic Imaging Space-general radiology, fluoroscopy, ultrasound, computed tomography (CT), magnetic resonance imaging (MRI), dedicated dressing and waiting rooms

Second Floor

- o Audiology
- o Pulmonary diagnostics
- Laboratory
- o EKG
- o ECHO
- o EEG
- o Urodynamics
- o Pre-surgery workup
- o Infusion services
- Multi-disciplinary clinics
- o 21 medical specialty and 19 surgical specialty exam rooms (Not reviewable under Tennessee CON Law)

The building is currently occupied by Methodist Healthcare and the West Clinic with adult cancer services. Simultaneous with this application Methodist Healthcare-Memphis Hospitals d/b/a West Cancer Center has filed a CON application (CN1311-043), for an off-campus outpatient department that includes a comprehensive cancer center. If approved and upon completion of the West Cancer Center project, the adult cancer services will vacate the building so that the pediatric outpatient center can be established.

Medical emergencies will be transported to Le Bonheur's main campus twelve miles away.

The applicant projects to initiate services at the pediatric outpatient center in May 2016.

An overview of the project is provided on pages 6-9 of the original application.

Need

The applicant states that the proposed pediatric outpatient center is needed for the following reasons:

 Methodist Le Bonheur Children's Hospital opened its new replacement facility in 2010. This began the process of transforming the main hospital campus into a center for highly specialized tertiary and quaternary care. The proposed outpatient center will add capacity and increase access to pediatric subspecialty services

- Since 2010 Le Bonheur has added 40 new pediatric subspecialty physicians and is actively recruiting additional physicians. This requires additional physician office space. Current available space is approaching capacity
- The pediatric outpatient center will consolidate services from three separate locations
- The additional physician office visits will require hospital-based services including diagnostic imaging, general diagnostics, and therapy and rehab services
- Le Bonheur's main campus is the only location in the service area capable of providing outpatient sedation for complex pediatric patients. Outpatients have to share diagnostic imaging services with acute inpatients and emergency patients. The proposed project will provide an outpatient location for diagnostic imaging services including MRI and CT
- The pediatric outpatient center will shift some outpatient clinic and diagnostic volume from the main hospital campus that will free-up space for expanded research and academic needs

Ownership

The applicant, Methodist Healthcare-Memphis Hospitals, is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The 5-hospital system has 1,583 licensed beds. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi. Attachment A.4. contains an organization chart and information on the facilities owned in whole or part by Methodist Healthcare.

 According to the 2012 Joint Annual Report (JAR), Le Bonheur accounts for 255 of the Methodist Healthcare licensed beds. The JAR indicates that Le Bonheur staffs 228 beds. Licensed bed occupancy was 62.5% and staffed bed occupancy was 69.9%.

The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

• Licensed Beds - The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).

• Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.

Service Area Demographics

Le Bonheur's declared service area includes Fayette, Shelby, and Tipton Counties in Tennessee; and DeSoto and Marshall Counties in Mississippi.

- The total population of the Tennessee portion of the service area is estimated at 1,048,607 residents in calendar year (CY) 2014 increasing by approximately 1.7% to 1,066,445 residents in CY 2018.
- The overall Tennessee statewide population is projected to grow by 3.7% from 2014 to 2018
- The pediatric population (Age 0-17) of the Tennessee portion of the service area is estimated at 263,382 residents in calendar year (CY) 2014 decreasing by approximately 1.4% to 259,601 residents in CY 2018.
- The overall Tennessee statewide pediatric population is projected to grow by 1.4% from 2014 to 2018.
- The proportion of TennCare enrollees of the total county population is 24.3%, compared with the state-wide average of 18.4%.

Service Area Historical Utilization

MRI

Fixed Unit MRI 3-Year Trend

Fixed Unit MIKI 3-Year Trend									
Provider	Туре	County	# of MRIs	2010	2011	2012	% Standard(1)	Percent Changed	
Methodist Healthcare-Fayette Hospital*	Hosp	Fayette	0.2	373	324	271	47%	-27.3%	
Baptist Memorial Hospital - Collierville	Hosp	Shelby	1	1,941	1,891	1,734	60%	-10.7%	
Baptist Memorial Hospital - Memphis	Hosp	Shelby	3	11,517	12,052	11,913	138%	+3.4%	
Baptist Rehabilitation - Germantown	Hosp	Shelby	1	1,702	1,622	1,596	55%	-6.2%	
Baptist Rehabilitation Germantown - Briarcrest MRI**	H-Imaging	Shelby	0.5	370	585	650	45%	+75.7%	
Campbell Clinic - Union	PO	Shelby	1	64	2,290	2,155	75%	+3200%	
Campbell Clinic Inc.	PO	Shelby	1	8,081	6,502	6,321	219%	-21.8%	
Delta Medical Center	Hosp	Shelby	1	880	1,006	787	27%	-10.6%	
Diagnostic Imaging PC - Memphis	RPO	Shelby	1	4,540	6,358	6,638	230%	+46,2%	
Le Bonheur Children's Medical Center***	HOSP	Shelby	3	3,856	4,663	5,357	62%	+38.9%	
Methodist Healthcare-Germantown Hospital	Hosp	Shelby	2	8,313	7,698	6,557	114%	-21.1%	
Methodist Healthcare-North Hospital	Hosp	Shelby	2	6,359	6,058	6,092	106%	-4.2%	
Methodist Healthcare-South Hospital	Hosp	Shelby	1	3,536	4,073	4,139	144%	+17.1%	
Methodist Healthcare-University Hospital	Hosp	Shelby	3	9,136	9,677	9,803	113%	+7.3%	
MSK Group PC - New Covington Pike	PO	Shelby	1	3,420	3,096	3,140	109%	-8.2%	

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Provider	Туре	County	# of MRIs	2010	2011	2012	% Standard(1)	Percent Changed
MSK Group, PC - Briarcrest**	PO	Shelby	0.5	4,043	4,508	4,489	312%	-11.0%
Neurology Clinic, PC****	PO	Shelby	0.5	3,370	3,168	3,160	219%	-6.2%
Outpatient Diagnostic Ctr of Memphis (fka Diagnostic Health - Memphis)	ODC	Shelby	1	2,389	2,207	2,214	77%	-7.3%
Park Avenue Diagnostic Center	ODC	Shelby	2	3,857	3,080	2,681	47%	-30.5%
Regional Medical Center at Memphis (The Med)	Hosp	Shelby	1	3,733	3,927	4,491	156%	+20.3%
Semmes-Murphey Clinic (Humphreys Blvd)	PO	Shelby	2	7,327	7,300	6,490	113%	-11.4%
St. Francis Hospital	Hosp	Shelby	3	6,159	5,482	5,393	62%	-12,4%
St. Francis Hospital - Bartlett	Hosp	Shelby	2	3,030	3,257	3,642	63%	+20.2%
St. Jude Children's Research Hospital	Hosp	Shelby	4	9,467	10,031	6,241	54%	-34.1%
Wesley Neurology Clinic, P.C.****	PO	Shelby	0.5	1,393	1,398	1,309	91%	-6.0%
West Clinic, P.C., The	ASTC/OD C	Shelby	1	1,304	1,662	1,564	54%	+19.9%
Baptist Memorial Hospital - Tipton	Hosp	Tipton	1	1,213	1,143	1,265	44%	+4.3%
Service Area			40	111,000	114,734	109,821	95% (2)	-1.1%

*Mobile Scanner operates 1 day/week. Not included in the count for stationary MRI scanners

**Baptist Rehab Briarquest equipment is shared with MSK Group Briarcrest

****Neurology Clinic PC equipment is shared with West Neurology Clinic

(1) 3rd Year of service standard of 2,880 MRI procedures per year is applied

- This includes the iMRI at Le Bonheur which is used specifically during neurosurgery; volume at St. Jude's which is a pediatric specialty hospital that serves patients worldwide. This chart does not include the MRIs in the Mississippi portion of the service area
- The chart above indicates that fixed MRI procedure volume in the service area declined 1.1% between 2010 and 2012
- Overall the MRIs in the service area are operating at 95% of the MRI volume standard
- There are 26 providers of MRI services with 40 full time equivalent MRIs. Of the 26 MRI services volumes declined for 15 providers, while volume increased for 11 providers between 2010 and 2012
- Fourteen of the MRI providers did not meet the MRI utilization standard while twelve did meet the standard
- The applicant provides a chart which excludes its iMRI because of its specialty nature and MRIs at St. Jude's Hospital because of its specialty nature and worldwide patient base, and the mobile unit at Methodist-Fayette. When doing that the average number of MRI procedures per unit is 2,955 in 2012 which exceeds the MRI standard of 2,880.
- There is one outstanding CON in Shelby County for MRI services, Baptist Memorial Hospital for Women, CN1211-058A, for the construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services on the Baptist Women's campus.

^{***}Le Bonheur has 3 MRIs-2 standard pediatric MRIs and an iMRI which is used specifically for neurosurgery

CT

The following chart provides computed tomography (CT) scanning trends for the service area:

Year	Units	Procedures	Procedures/Unit	
2010	48	443,336	9,236	
2011	51	302,777	5,937	
2012			6,098	
'10-'12 % Chg.	0%	-34.0%	-34.0%	

Source: HSDA Equipment Registry

Applicant's Historical and Projected Utilization

The applicant provides its historical and projected MRI utilization excluding the iMRI unit as follows:

MRI Units	2011	2012	2013	Year 1	Year2
Main Campus (2)	4,599	5,289	5,558	6,552	6,814
Pediatric Outpatient Center (1)	NA	NA	NA	1,200	1,350
TOTAL	4,599	5,289	5,558	7,752	8,164

Source: CN1311-042

Historical utilization for CT Services at Le Bonheur which will also be available at the pediatric outpatient center is presented in the table below:

Service(#Units)	2010	2011	2012	'10- '12 %
				Change
CT(2)	7,124	6,993	6,866	-3.6%

Source: HSDA Equipment Registry

Project Cost

Major costs are:

- Facility Lease-\$12,913,252 or 48.2% of total project cost
- Moveable Equipment-\$8,791,986 or 32.8% of total cost.
- Construction plus contingencies-\$4,391,860 or 16.4% of the total cost.
- Average renovation cost is expected to be \$151.46 per square foot. This falls between the 1st quartile of \$99.12 and the median of \$177.60 cost per square foot of previously approved hospital projects from 2010-2012.
- For other details on Project Cost, see the Project Cost Chart on page 33 of the original application.

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Historical Data Chart

- According to the Historical Data Chart Methodist Healthcare-Memphis Hospitals experienced profitable net operating results for the three most recent years reported: \$96,837,000 for 2010; \$84,637,000 for 2011; and \$88,224,000 for 2012.
- Average annual Net Operating Income (NOI) was favorable at approximately 6.5% of annual net operating revenue for the year 2012.

Projected Data Chart

- The applicant projects net operating income less capital expenditures for Le Bonheur Children's Hospital in total to be \$30,452,000 in 2017 increasing by 24% to \$37,764,000 in 2018.
- The applicant's projected net operating margins are projected to be 8.5% in 2017 and 10.2% in 2018.
- In the first supplemental response the applicant provides a Projected Data Chart for the pediatric outpatient center. The applicant projects net operating income to be \$2,438,517 in 2017 and \$2,533,867 in 2018.
- The applicant's projected net operating margins for the pediatric outpatient center are projected to be 29.7% in 2017 and 28.5% in 2018.
- In the first supplemental response the applicant also provides a Projected Data Chart for the MRI service in the pediatric outpatient center. The applicant projects net operating income to be \$2,197,732 in 2017 and \$2,224,300 in 2018.
- The applicant's projected net operating margins for the MRI service in the pediatric outpatient center are projected to be 69.2% in 2017 and 65.7% in 2018.

Charges

- The applicant's 2012 average MRI charge per procedure was \$3,743. This was \$421.40 above the third quartile of MRI charges statewide.
- The applicant's 2012 average CT charge per procedure was \$2,082. This was between the median of \$1,735.40 and 3rd quartile of \$2,680.89 of CT charges statewide.

Medicare/TennCare Payor Mix

- TennCare/Medicaid-2017 projected revenue for the pediatric outpatient center is \$7,690,529 representing 47% of total revenue
- Medicare- The applicant expects that there will be no Medicare revenue
- The payor group with the most projected revenue is Commercial/Other at \$8,6778,606 or 53% of total revenue

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Financing

A November 7, 2013, letter from Chris McLean, Senior Vice President Finance, Methodist Le Bonheur Healthcare, confirms the applicant has adequate financial resources for the Le Bonheur Children's Hospital Pediatric Outpatient Center project.

Methodist Le Bonheur Healthcare and Affiliates audited financial statements for the period ending December 31, 2012 indicates \$71,677,000 in cash and cash equivalents, total current assets of \$1,058,442,000, total current liabilities of \$182,973,000 and a current ratio of 5.78:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Staffing

The applicant's proposed clinical staffing for the proposed project is presented in the table below:

Position	FTEs 2017	FTEs 2018
Audiologist	1.0	1.0
Case Manager	1.0	1.0
Child Life Specialist	3.0	3.0
CT Tech II	2.0	2.0
Echocardiographer	0.4	0.4
EKG Tech	0.4	0.4
MRI Tech II	2.0	2.0
Occupational Ther.	3.1	3.1
Patient Escort	1.0	1.0
Phlebotomist	2.0	2.0
Physical Therapist	2.6	2.6
Radiology Tech.	3.0	3.0
Rehab Services Tech	1.0	1.0
Rehab Supervisor	1.0	1.0
RN Radiology	3.0	3.0
Site Manager	1.0	1.0
Speech Pathologist	4.0	4.0
Ultrasound Tech	1.0	1.0
TOTAL	32.5	32.5

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Licensure/Accreditation

Le Bonheur is licensed by the Tennessee Department of Health, Division of Health Care Facilities. A letter from Celia Skelley, Department of Health, West Tennessee Health Care Facilities dated February 13, 2008 indicated that Le Bonheur's plan of correction per the licensure surveys was found to be acceptable.

Le Bonheur is accredited by The Joint Commission with a full three year accreditation as of April 20, 2013.

Corporate documentation, real estate deed information, FDA documentation, and vendor equipment quote are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent or denied applications for this applicant.

Pending Applications

Methodist Healthcare-Memphis Hospitals d/b/a West Cancer Center, CN1311-043 has a pending application scheduled to be heard at the February 26, 2014 Agency meeting for the establishment of an off-campus outpatient department which included a comprehensive cancer center and two hospital based ambulatory operating grooms. The proposed project will include the following: 1) relocation of linear accelerator, position emission tomography/computed tomography (PET/CT), magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment; 2) replacement of MRI equipment; and 3) an additional linear accelerator. The estimated project cost is \$60,554,193.00.

Outstanding Certificates of Need

Methodist Healthcare - Memphis Hospitals d/b/a Methodist University Hospital, CN1208-041A has an outstanding Certificate of Need which is scheduled to expire January 1, 2016. The Certificate of Need was approved at the November 14, 2012 Agency meeting for the replacement of the Emergency Department (ED) and the relocation of the ED within the hospital's campus. The project is for the construction of a replacement ED and renovation of existing space. The project will replace an existing CT. The project involves 93,000 square feet of new space and 6,200 square feet of renovated space. This project does not involve inpatient beds, initiation of services or addition of other major medical equipment. The estimated project cost is \$33,488,985.00. Project Status Update: A representative of the applicant in a 2/10/14 email stated that the ED project is progressing

METHODIST HEALTHCARE-MEMPHIS HOSPITALS D/B/A LE BONHEUR CHILDREN'S HOSPITAL CN1311-042 FEBRUARY 26, 2014

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within budget and on time. The structure was topped out in January 2014 and construction is scheduled to be completed in late summer 2014. Initiation of services is expected on or before the projected date of October 2014.

Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital, CN1111-047A, has an outstanding Certificate of Need that will expire on April 1, 2015. It was approved at the February 22, 2012 Agency meeting for the relocation and replacement of a PET/CT unit from 1388 Madison to the West Clinic at 1588 Union Ave., Memphis. The unit will continue to be operated by Methodist and will not increase the number of PET units in the service area. The estimated cost of the project is \$3,257,783.00. Project Status- A representative of the applicant in a 2/10/14 email stated that the PET equipment was installed in October 2013 and final renovations were completed by year end. The Final Project Progress Report is expected to be submitted soon.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent or denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificate of Need

Baptist Memorial Hospital for Women, CN1211-058A, has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services on the Baptist Women's campus. The project will involve 37,500 square feet of new construction. The project does not involve the addition of beds or any other service for which a Certificate of Need is required. The estimated project cost is \$14,105,241.00. Project Status: The Annual Progress Report dated 1/27/14 reported that sitework and site utility work has been completed or is in progress in preparation of the new building addition. Construction of the new Pediatric Emergency addition is anticipated to begin within the next few weeks.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF (2/13/14)

METHODIST HEALTHCARE-MEMPHIS HOSPITALS D/B/A LE BONHEUR CHILDREN'S HOSPITAL CN1311-042 FEBRUARY 26, 2014

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LETTER OF INTENT



NIV 8 113 PAST 20

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper of general circulation in Shelby County, Tennessee, on or before November 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Methodist Healthcare-Memphis Hospitals d/b/a Le Bonheur Children's Hospital (a pediatric hospital), owned and managed by Methodist Healthcare-Memphis Hospitals (a not for profit corporation), intends to file an application for a Certificate of Need to establish a pediatric outpatient center and to initiate and acquire new magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis, TN 38120 and will be operated as an outpatient department of Le Bonheur Children's Hospital. The proposed center will be located approximately 12 miles from Le Bonheur Children's Hospital and will include a full array of pediatric outpatient diagnostic, treatment and therapy services. The project involves approximately 26,360 square feet of renovated space. This project does not involve inpatient beds or other services for which a certificate of need is required. The estimated project costs are \$26,798,857.

The anticipated date of filing the application is on or before November 13, 2013. The contact person for this project is Carol Weidenhoffer, Corporate Director of Planning, Research and Business Development, who may be reached at: Methodist Healthcare, 1407 Union Avenue, Suite 300, Memphis, TN, 38104, 901-516-0679.

Carol Wirdlight

this form at the following address:

11/7/2013

Carol.Weidenhoffer@mlh.org

(E-mail Address)

The Letter of Intent must be <u>filed in triplicate</u> and <u>received between the first and the tenth</u> day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

HF51 (Revised 01/09/2013 - all forms prior to this date are obsolete)

ORIGINAL APPLICATION

TOTTWELET AND

LE BONHEUR CHILDREN'S HOSPITAL

CERTIFICATE OF NEED APPLICATION TO ESTABLISH A PEDIATRIC OUTPATIENT CENTER

MEMPHIS, SHELBY COUNTY

Filed November 2013

1.	Name of Facility, Agency, or Institution	November 26, 20 11:50
	Methodist Healthcare-Memphis Hospitals dba Le Bonheur Ch	hildren's Hospital
	Name	
	100 North Humphreys Boulevard	Shelby County
	Memphis	TN 38120
	City	State Zip Code
2.	Contact Person Available for Responses to Questions	Corporate Director of Planning,
	Carol Weidenhoffer	Research and Business Development
	Name	Title
	Methodist Le Bonheur Healthcare	Carol.Weidenhoffer@mlh.org
	Company Name	E-mail address
	1407 Union Avenue – Suite 300 Memphis	TN38104
	Street or Route City	State Zip Code
	Employee 901-516-0679	901-516-0621
	Association with Owner Phone Number	Fax Number
3.	Owner of the Facility, Agency or Institution See Attachm	nent A:3
	Methodist Healthcare – Memphis Hospitals	901-516-0546
	Name	Phone Number
	1211 Union Avenue, Suite 700	Shelby
	Street or Route	County
	Memphis	TN38104
	City	State Zip Code
4.	Type of Ownership of Control (Check One) See Attachmen	ent A:4
	A. Sole Proprietorship F. Go B. Partnership or C. Limited Partnership G. Joi D. Corporation (For Profit) H. Lin	overnmental (State of TN or Political Subdivision) oint Venture imited Liability Company ther (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5.	Name of Management/Operating Entity (If Applicable)								
		nt Annlicable me		20					
	Str	reet or Route			County				
	Cit	y		State	Zip Code				
		T ALL ATTACHMENTS AT THE END OPPLICABLE ITEM NUMBER ON ALL AT			DER AND REFERE	NCE THE			
6.	Le	gal Interest in the Site of the Institution (Ch	eck One)	See Attachment A:6					
	A. B. C.	Ownership Option to Purchase Lease of 11 Years X		Option to Lease Other (Specify)					
		T ALL ATTACHMENTS AT THE BACK IE APPLICABLE ITEM NUMBER ON AL			RDER AND REFER	RENCE			
7.	<u>Ty</u>	<u>pe of Institution</u> (Check as appropriate—m	ore than o	ae response may appl	y)				
	A.	Hospital Outpatient Department	X	I. Nursing Home					
	B.	Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty		J. Outpatient Diagn K. Recuperation Cer					
	C.	ASTC, Single Specialty		L. Rehabilitation Fa	•				
	D.	Home Health Agency		M. Residential Hosp	ice				
	E.	Hospice		N. Non-Residential	Methadone Facility				
	F.	Mental Health Hospital		O. Birthing Center					
	G.	Mental Health Residential Treatment		P. Other Outpatient	Facility				
	H.	Facility Mental Retardation Institutional		(Specify)					
		Habilitation Facility (ICF/MR)		Q. Other Specify		·			
8.	Pur	rpose of Review (Check) as appropriate—m	ore than or	ie response may apply	y)				
	A.	New Institution	,	G. Change in Bed Co	omplement				
	B.	Replacement/Existing Facility		[Please note the ty	ype of change				
	C.	Modification/Existing Facility	X	by underlining the					
	D.	Initiation of Health Care Service as defined in TCA § 68-11-1607(4)		response: Increas Designation, Dist Conversion, Relo	ribution,				
		(Specify) MRI	X	H. Change of Location	on				
	E.	Discontinuance of OB Services		I. Other (Specify)	-				
	F.	Acquisition of Equipment MRI	X						

			Current <u>Licensed</u>	Beds *CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completio
A. Medical							
B. Surgica							
C. Long-To	erm Care Hospital						
D. Obstetri	cal						
E. ICU/CC	U		36		18		36
F. Neonata	1		60		60		60
G. Pediatri	>		159		150		159
H. Adult P	sychiatric						
I. Geriatri	e Psychiatric						
J. Child/A	dolescent Psychiatric					-	
K. Rehabili	tation						
L. Nursing	Facility (non-Medicai	d Certified)					
M. Nursing	Facility Level 1 (Med	edicare only)					
N. Nursing	Facility Level 2 (Med						
	Facility Level 2 ertified Medicaid/Medica		-				
P. ICF/MR							
Q. Adult C	nemical Dependency						
R. Child an	d Adolescent Chemica	cal Dependency					
S. Swing B	eds				·		
Γ. Mental l	Health Residential Trea	atment					
U. Residen	ial Hospice					/	
TOTAL	ı		255		_228_	:#2	255
*CON-Beds approved but not yet in service							
Medicare Pro	vider Number	44-0049					
C	ertification Type	Acute Care Facility					
Medicaid Pro	vider Number	44-0049					
	vider Number ertification Ty						

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

The applicant, Methodist Healthcare–Memphis Hospitals, is a healthcare provider that operates five Shelby County hospitals under a single license. The system is certified for both Medicare and TennCare/Medicaid; and the system's acute care provider numbers cover all five hospitals--including Le Bonheur Children's Hospital, which this application addresses.

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCO's/BHO's) operating in the proposed service area. Will this project involve the treatment of TennCare participants? If the response to this item is yes, please identify all MCO's/BHO's with which the applicant has contracted or plans to contract. Discuss any out-of-network relationships in place with MCO's/BHO's in the area.

The Tennessee MCO's/BHO's operating in the project service area are United Healthcare offering Americhoice and Dual Complete (a Special Needs Plan) and Blue Cross Blue Shield offering Blue Care and Tenneare Select. The project service area also includes DeSoto and Marshall counties in Mississippi, where Medicaid is available.

All of Methodist Healthcare's hospitals treat TennCare participants under the system's TennCare contracts. Methodist Healthcare – Memphis Hospitals contracts with United Healthcare, Blue Cross Blue Shield and Medicaid providers in adjoining States.

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. <u>Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.</u>

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Proposed Services and Equipment

- The proposed project is a pediatric outpatient center located on Humphreys Boulevard near the intersection of Walnut Grove Road in Memphis, Tennessee. The pediatric outpatient center will contain hospital-based diagnostic imaging, rehabilitation (rehab) services and general diagnostics and therapies for complex pediatric patients.
- The center will also include multiple pediatric subspecialty physician offices which are not part of this application. The construction of physician office space does not require certificate of need approval. Yet, to understand the full array of services in the center, details of the subspecialties that will share space and utilize the hospital-based services are described in detail.
- The pediatric outpatient center will consolidate existing pediatric services currently located in three separate locations throughout the eastern service area.
 - o Outpatient rehab services will move from Poplar Avenue in Germantown, Tennessee
 - o Pediatric subspecialty physician offices and the affiliated diagnostic services will move from Estate Place in Memphis, Tennessee
 - o Pediatric subspecialty physician offices and the affiliated audiology services and pulmonary diagnostics will move from Wolf River Boulevard in Germantown, Tennessee

• The project will also add supporting services to increase patient and family convenience in a full service dedicated pediatric ambulatory center.

PHYSICIANS	HOSPITAL-BASED SERVICES						
Subspecialty Physician Offices	Multidisciplinary Clinics	Rehabilitation Services	Diagnostic Imaging	General Diagnostics and Therapies			
 Allergy Cardiology Endocrinology Gastroenterology Genetics Nephrology Neurology Otolaryngology Pulmonology General Surgery Urology 	Feeding Clinic Plastics/ Craniofacial Clinic	 Physical Therapy Occupational Therapy Speech and Language Therapy Hydro Therapy Sensory Motor Therapy 	UltrasoundFluoroscopyX-RayMRICT	 Audiology Pulmonary Diagnostics Lab Draw EKG ECHO EEG Infusion Services Pre-surgery Workup Urodynamics 			

Ownership Structure

• The applicant, Methodist Healthcare—Memphis Hospitals (Methodist), is a not-for-profit corporation that operates five Shelby County hospitals under a single license — including Le Bonheur Children's Hospital (referred to as Le Bonheur for brevity) which this application addresses. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with

ownership and operating interests in health care faci**b**iges in West Tennessee and North Mississippi. See Attachment A:4.

Service Area

• The designated service area for the project is Shelby, Fayette and Tipton counties in Tennessee and DeSoto and Marshall counties in Mississippi. Over 77% of Le Bonheur's outpatient visits originate from this area.

Need

- With the opening of the new hospital in 2010, Le Bonheur began the process of transforming the main hospital campus into a center for highly specialized tertiary and quaternary pediatric care. As the only comprehensive provider of pediatric care within 130 miles, Le Bonheur serves as a regional referral center for pediatrics. The proposed outpatient center will add capacity and increase access to pediatric subspecialty services.
- Le Bonheur's focus on advanced pediatric care has led to increased physician recruitment and a move toward academics and research. Since 2010, Le Bonheur has added 40 new pediatric subspecialty physicians to its medical staff thereby increasing physician office visits by 23%. Even with this growth, demand for pediatric subspecialty physicians is high, and Le Bonheur is actively recruiting additional physicians.
- The addition of new physicians requires more physician office space, and current available space is approaching capacity. Current wait times for pediatric subspecialty appointments are well above the national standard. Additional capacity is needed to fulfill the mission to provide highly specialized care to all children.
- The pediatric outpatient center will consolidate services currently located in three separate locations throughout the eastern service area. The existing locations have no room for expansion and share space with adult health services. The new location will add capacity and allow pediatric specialists scattered throughout the area and newly recruited pediatric specialists to come together in a dedicated pediatric facility.
- The additional physician office visits will require hospital-based services including diagnostic imaging, general diagnostics and therapies and rehab services. These services are unduplicated in the market.
- Adequate preparation of children for diagnostic procedures, including MRI, is vital to good outcomes.
 Sedation is commonly required, and the only existing facility capable of providing outpatient sedation for complex pediatric patients is at Le Bonheur. Yet, outpatient diagnostic services at the hospital are shared with acute inpatients and emergency patients. Other local providers are not equipped to provide outpatient MRI services to complex pediatric patients or sedation to young children.
- Pediatric subspecialty care is scarce and the dedicated outpatient center will serve to maximize this resource by allowing for efficiencies in access and care. The proposed outpatient center will allow Le Bonheur to continue serving all children of the community, improving access to health care, attracting and retaining pediatric subspecialists and serving as a national resource contributing to the elimination of disease.

Existing Resources

- Le Bonheur is the only comprehensive pediatric provider in the service area. The expertise of Le Bonheur's pediatric providers is unduplicated in the market, and the outpatient center will increase availability of these specialized pediatric services in a location convenient for patients and families.
- The new outpatient center will shift some clinic and diagnostic volume from the main Le Bonheur campus and will offer additional outpatient capacity. The resulting shift will improve care and expand capacity for research and academic work which will support plans to recruit top pediatric specialists to the area.

Project Cost, Funding, Feasibility

• The project cost of \$26,798,857 will be funded through cash by Methodist Healthcare. Methodist Healthcare and Le Bonheur Children's Hospital are, and will remain, financially viable.

Staffing

• Staffing will be increased by 26 FTEs. These associates will be obtained through internal or external recruitment; based on past experience there is no anticipated delay in filling these positions.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.
- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc.

1. Overview of the Project

The proposed project is a pediatric outpatient center located on Humphreys Boulevard near the intersection of Walnut Grove Road in Memphis, Tennessee. The pediatric outpatient center will contain hospital-based diagnostic imaging, rehab services and general diagnostics and therapies for complex pediatric patients. The center will also include multiple pediatric subspecialty physician offices which are not part of this application. The construction of physician office space does not require certificate of need approval. Yet, to understand the full array of services in the center, details of the subspecialties that will share space and utilize the hospital-based services are described in detail.

The pediatric outpatient center will consolidate existing pediatric services currently located in three separate locations throughout the eastern service area.

- Hospital-based outpatient rehab services will move from Poplar Avenue in Germantown, Tennessee
- Pediatric subspecialty physician offices and the affiliated hospital-based diagnostic services will move from Estate Place in Memphis, Tennessee
- Pediatric subspecialty physician offices and the affiliated hospital-based audiology services and pulmonary diagnostics will move from Wolf River Boulevard in Germantown, Tennessee

The project will also add supporting services to increase patient and family convenience and offer efficiencies in providing dedicated pediatric care. See Table 1 below for a full list of services which will be in this center:

TABLE 1
PEDIATRIC OUTPATIENT CENTER SERVICES

PHYSICIANS	HOSPITAL-BASED SERVICES						
Subspecialty Physician Offices	Multidisciplinary Clinics	Rehabilitation Services	Diagnostic Imaging	General Diagnostics and Therapies			
 Allergy Cardiology Endocrinology Gastroenterology Genetics Nephrology Neurology Otolaryngology Pulmonology General Surgery Urology 	Feeding Clinic Plastics/ Craniofacial Clinic	 Physical Therapy Occupational Therapy Speech and Language Therapy Hydro Therapy Sensory Motor Therapy 	UltrasoundFluoroscopyX-RayMRICT	 Audiology Pulmonary Diagnostics Lab Draw EKG ECHO EEG Infusion Services Pre-surgery Workup Urodynamics 			

2. Detailed Description of the Project

Le Bonheur proposes to renovate 26,360 square feet of an existing building to house the hospital-based services in the new pediatric outpatient center. The total building is 50,855 square feet; the remaining 24,495 square feet will house the pediatric subspecialty physician offices. The physician office renovation is not part of this project.

The first floor includes rehab services and diagnostic imaging services. The rehab space consists of three age-specific gyms, 14 therapy rooms, a hydrotherapy pool and a kitchen for feeding therapy. The diagnostic imaging space consists of general radiology, fluoroscopy, ultrasound, CT and MRI areas along with dedicated dressing and waiting rooms. All services on this floor are hospital-based services and are designed to support-patient and family centered care while maximizing the efficiencies of having staff and equipment located in adjacent spaces.

The second floor includes 21 medical specialty exam rooms and 19 surgical specialty exam rooms which are not part of this application. The supporting hospital-based general diagnostics and therapies are located adjacent to the clinics they serve. Proximity of procedure rooms and lab services to clinic space allows for enhanced patient and family centered care and increased efficiencies for staff. Hospital-based services on the second floor include:

- Audiology
- Pulmonary diagnostics
- Laboratory
- EKG
- ECHO
- EEG
- Urodynamics
- Pre-surgery workup
- Infusion services
- Multidisciplinary clinics

3. Project Costs

The total cost of the project for CON purposes is \$26,798,857 with construction costs of \$3,992,600 or \$151.56 per square foot.

4. Project Funding Sources

The project costs will be funded by cash contributions from Methodist Healthcare, the parent company of the applicant.

Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

Please also discuss and justify the cost per square foot for this project.

The costs of the project are reasonable and comparable to similar CON projects approved throughout the service area over the last few years. This project has an estimated cost per square foot of approximately \$152 (\$3,992,600 / 26,360 sf). See the cost per square foot comparison below.

TABLE 2
COST PER SQUARE FOOT COMPARISON WITH APPROVED PROJECTS

CON Name	Date Filed	1	st per ire Foot
Methodist University PET	Nov-11	\$	244
Renovation & Relocation			
Campbell Clinic	Aug-12	\$	244
Surgery Center Construction & Renovation			
The Regional Medical Center – The Med	Aug-12	\$	225
Hospital Construction & Renovation			
Baptist Memorial Women's Hospital	Dec-12	\$	238
ED Construction & Renovation			
Baptist Memorial Tipton Hospital	Dec-12	\$	250
Establish Cancer Center (Relocation)	l l		

If the project involves none of the above, describe the development of the proposal.

Not applicable.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Not applicable.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

				Proposed	<u>a</u>	Proposed Final			Proposed Final	
A. Unit / Department	Existing Location	Existing SF	Temporary Location	Final Location	Š	Square Footage			Cost/ SF	
					Renovated	New	Total	Renovated	New	Total
HOSPITAL-BASED										
FIRST FLOOR										
Lobby/Waiting	N/A	N/A	N/A	1st Floor	3,035		3,035	\$65		\$197,275
Rehab	Off-site	N/A	N/A	1st Floor	9,485		9,485	\$70		\$663,950
Radiology	N/A	N/A	N/A	1st Floor	11,505		11,505	\$250		\$2.876.250
SECOND FLOOR										
Hospital-based Services	Off-site	N/A	N/A	2 nd Floor	2,335		2,335	\$75		\$175,125
OTHER										
Sitework for Rehab Courtyard & Monumental Sign	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$80,000
B. Total GSF					26,360		26,360			\$3,992,600
Total Construction cost / SF										\$152
Construction cost escalation (10% contingency)										\$399.260
Total Construction costs with escalation					26,360		26,360			\$4,391,860
Total Construction cost with escalation / SF										TOTAL STANK

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):
- 1. Adult Psychiatric Services
- 2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
- 3. Birthing Center
- 4. Burn Units
- 5. Cardiac Catheterization Services
- 6. Child and Adolescent Psychiatric Services
- 7. Extracorporeal Lithotripsy
- 8. Home Health Services
- 9. Hospice Services
- 10. Residential Hospice
- 11. ICF/MR Services
- 12. Long-term Care Services
- 13. Magnetic Resonance Imaging (MRI)
- 14. Mental Health Residential Treatment
- 15. Neonatal Intensive Care Unit
- 16. Non-Residential Methadone Treatment Centers
- 17. Open Heart Surgery
- 18. Positron Emission Tomography
- 19. Radiation Therapy/Linear Accelerator
- 20. Rehabilitation Services
- 21. Swing Beds

Magnetic Resonance Imaging (MRI): An MRI is needed to support the complex diagnostic needs of the pediatric patients who will be treated in the center. The equipment will provide immediate access for patients in the same location with pediatric subspecialty physician offices and other pediatric services as well as offer an additional point of access for patients and families in the service area.

D. Describe the need to change location or replace an existing facility.

Since 2010, Le Bonheur has added 40 new pediatric subspecialty physicians to medical staff. With this additional physician staff, new patient physician office visits have increased by 23%. Even with this growth, demand for pediatric subspecialty physicians is high, and Le Bonheur is actively recruiting additional physicians. See Table 3 below for planned recruitment.

TABLE 3
PLANNED PEDIATRIC SUBSPECIALIST RECRUITMENT

Pediatric Subspecialty	Planned recruitment
Allergy	1
Cardiology	2
Endocrinology	2
Gastroenterology	1
Genetics	1
Nephrology	2
Neurology	2
Otolaryngology	1
Pulmonology	1
Psychiatry	1
Urology	1

The addition of new physicians requires more physician office space, and the current available space is approaching capacity. The pediatric outpatient center will consolidate services currently located in three separate locations throughout the eastern service area. The existing locations have no room for expansion and share space with adult health services.

The new location will add capacity and will allow pediatric specialists who are currently in various locations throughout the area and newly recruited pediatric specialists to come together in a dedicated pediatric facility. See Table 4 and Table 5 below for added pediatric subspecialty physician office visits. Again, please note the physician offices visits are not included in volumes and projected financials for the application. The significant growth in number of physicians and visits justifies the need to add diagnostic and therapeutic capacity in the eastern market.

TABLE 4
ADDITIONAL CAPACITY FOR MEDICAL SPECIALTIES

	Medi	cal physicia	n office visits	
	Current	Projected	Change	% Change
Rooms	13	21	8	62%
Visits	8,975	14,498	5,523	0270

TABLE 5
ADDITIONAL CAPACITY FOR SURGICAL SPECIALTIES

	Surg	ical physicia	n office visits	8
	Current	Projected	Change	% Change
Rooms	16	19	3	19%
Visits	6,953	8,257	1,304	1970

Additionally, pediatric subspecialty care is scarce and the dedicated outpatient center will serve to maximize this resource by allowing for efficiencies in access and care. The proposed MRI will provide immediate access for patients in the same location with the pediatric subspecialty physician offices and will offer an additional access point for patients and families in the service area.

With the opening of the new hospital in 2010, Le Bonheur continued its mission to transform the main campus location into a center for highly specialized tertiary and quaternary pediatric care. As the only comprehensive provider of pediatric care within 130 miles, Le Bonheur serves children throughout the region and serves as a regional referral center for pediatric patients.

The focus on advanced pediatric care has led to increased physician recruitment and a move toward academics and research. This transformation means that children being seen at the main campus have increased in complexity, as has the corresponding need for support services. The existing space is nearing capacity and still more recruitment is planned to meet regional demand. Moving forward in this mission to provide highly specialized care to all children requires additional capacity for pediatric subspecialty physician office visits and diagnostic services.

The pediatric outpatient center will shift some outpatient clinic and diagnostic volume from the main campus in downtown Memphis and will offer additional outpatient capacity. This shift will free up space at the main campus for the expanded research and academic needs that are part of Le Bonheur's long-range plan.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:
 - 1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 - 1. Total cost; (As defined by Agency Rule). The total cost of the MRI is estimated at \$1,926,257 (1,427,825 equipment purchase and \$498,432 maintenance).
 - 2. Expected useful life: 5 years
 - 3. List of clinical applications to be provided: Clinical applications to be provided by the MRI are neurovascular, cardiovascular, abdominal, orthopedic and spectroscopic imaging.
 - 4. **Documentation of FDA approval.** See Attachment B: II (E) for FDA certification.
 - b. Provide current and proposed schedules of operations.

Monday – Friday, 8:00 a.m. – 5:00 p.m.

- 2. For mobile major medical equipment: Not Applicable
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.
- 3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments. See Attachment B: II (E) for MRI vendor quote for purchase.
- III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which <u>must</u> include:

See Attachment B:III (A) for the plot plan.

- 1. Size of site (in acres);
- 2. Location of structure on the site; and
- 3. Location of the proposed construction.
- 4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The proposed location is near the corner of Walnut Grove Road and Humphreys Boulevard, which makes it easily accessible for patients via automobile and public transportation. Walnut Grove Road has an interstate exit from I-240, and the intersection of Walnut Grove Road and Humphreys Boulevard is less than 1 mile from the exit.

The Memphis Area Transit Authority (MATA) services this area with route 34. Appropriate bus schedules and road maps are included as Attachment B:III (B).

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: <u>DO NOT SUBMIT BLUEPRINTS</u>. Simple line drawings should be submitted and need not be drawn to scale.

See Attachment B:IV. for the floor plans.

- V. For a Home Health Agency or Hospice, identify: Not applicable; the application is not for a home care organization.
 - 1. Existing service area by County;
 - 2. Proposed service area by County;
 - 3. A parent or primary service provider;
 - 4. Existing branches; and
 - 5. Proposed branches.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. <u>Please type each question and its response on an 8 1/2" x 11" white paper</u>. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

The applicant's mission embodies the spirit of the Guidelines for Growth and the Five Principles to Achieve Better Health as outlined in the State Health Plan. Methodist Le Bonheur Healthcare's mission is to partner with its medical staffs and collaborate with its patients and families to be the leader in high quality, cost effective health care in all sectors of its service area. Its geographical distribution makes Methodist Le Bonheur Healthcare the area provider with the largest number of entry points, and the most socio-economically diverse patient population. This project complies with the mission and the tenants of the State Health Plan and Guidelines for Growth.

Healthy Lives:

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

The proposed project will consolidate and expand pediatric services in a location dedicated to the specific needs of pediatric patients. Locating multiple pediatric specialists and hospital-based diagnostic and therapeutic services in one location will allow clinicians to better collaborate on the diagnosis and treatment of all children throughout the community. Patient areas will be designed to facilitate patient and family centered care, allowing families to partner with caregivers in the care of the child. Le Bonheur is committed to caring for all children and offers multidisciplinary, specialized pediatric care that is unduplicated in the area.

Access to Care:

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

Offering expanded pediatric services in the proposed location provides an additional access point for all patients in the service area and a more convenient location for much of the eastern portion of

Shelby County and western Tennessee. This location is designed to expand capacity and improve access to highly specialized pediatric services for all children of the region. In keeping with Le Bonheur's mission, access to health care services is not restricted by existing health status, employment, income, geography or culture.

Economic Efficiencies:

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.

The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

By consolidating services now offered in various locations throughout the city, Le Bonheur proposes to improve the efficiency with which pediatric subspecialty care is delivered. Providing many dedicated pediatric services in one location allows for collaboration among providers and helps avoid unnecessary duplication of services. Providing complex, specialized care in a collaborative setting exemplifies an innovative approach to care delivery.

Quality of Care:

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

The proposed location will allow for pediatric specialists and clinicians to treat children in a setting that supports the delivery of quality health care. Le Bonheur measures performance of services on nationally recognized quality indicators important to children's health care. Le Bonheur also actively publishes quality outcomes and engages in efforts to continuously improve care. For the past three years, Le Bonheur has been recognized as one of the nation's top children's hospitals by *U.S. News & World Report*.

Health Care Workforce:

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

This project includes clinicians who are dedicated to providing care for pediatric patients. The proposed outpatient center will allow providers to work in an effective and efficient setting focused on pediatric care. Additionally, Le Bonheur is an academic medical center affiliated with the University of Tennessee Health Science Center (UTHSC) and is the primary teaching site for pediatrics. The project will further the academic affiliation and support the development, recruitment and retention of a quality workforce.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.
- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not applicable for beds. On the following pages, please find responses to the Standards and Criteria for MRI.

- 2. For relocation or replacement of an existing licensed healthcare institution:
 - a. The applicant should provide plans, which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The spaces currently occupied by the pediatric subspecialty physician offices and other pediatric services are located in multiple buildings throughout the area. With the need to consolidate services into a dedicated pediatric outpatient center as well as expand hospital-based diagnostic and therapeutic services, renovation of current locations is not feasible. Because space at the existing sites is insufficient for the expansion and renovation needed, it is not possible to demonstrate costs for this option. This would be an expensive and inappropriate exercise for the applicant's design team.

Detailed justification for this project can be found in Section C (3) below. Both a. and b. above are responded to in the narrative beginning below.

b. The applicant should demonstrate that there is acceptable existing of projected future demand for the proposed project.

Detailed justification for this project can be found in Section C (3) below. Both a. and b. above are responded to in the narrative beginning below.

- 3. For renovation or expansions of an existing licensed healthcare institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

As mentioned previously, Le Bonheur has added 40 new pediatric subspecialty physicians to medical staff since 2010 and plans to add more over the coming years. With this additional physician staffing, the number of patients seen in Le Bonheur's pediatric subspecialty physician offices has increased 23% and is projected to grow by an additional 10% in 2014 with the proposed recruitment.

Current physician office space in the existing locations is approaching capacity as evidenced by clinic appointment wait times noted below:

TABLE 6
PEDIATRIC PHYSICIAN SUBSPECIALIST WAIT TIMES

Clinic to be located in the proposed Outpatient Center	Current average days to 3 rd next available appointment at existing locations
Pediatric Allergy	35
Pediatric Cardiology	34
Pediatric Endocrinology	70
Pediatric Gastroenterology	62
Genetics	64
Pediatric Nephrology	65
Pediatric Neurology	49
Otolaryngology	33
Pediatric Pulmonology	57
Pediatric Surgery, General	18
Pediatric Urology	49

Best practices for pediatric subspecialty appointment wait times are 10-14 days. The outpatient center will supply additional capacity for appointments with the goal of reducing wait times.

The additional physician office visits will require hospital-based services including diagnostic imaging, general diagnostics and therapies and rehab services. Inclusion of these services in the proposed outpatient center will allow patients and families to receive comprehensive pediatric care in one location. This service is unduplicated in the market.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The proposed building is currently utilized by Methodist and the West Clinic for adult cancer care services. The CON to relocate these adult services is being filed simultaneously. Methodist, as good stewards of its resources, reviewed available space in the planning stages of the projects, looked for the most cost effective options and developed plans to redeploy assets versus building any new buildings. Renovations are required to ensure the hospital-based space meets hospital construction codes and to make improvements required for treating pediatric patients in a patient and family centered environment.

Project-Specific Review Criteria: Magnetic Resonance Imaging (MRI) Services

1. Utilization Standards for non-Specialty MRI Units.

a. An applicant proposing a new non-Specialty stationary MRI unit should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

42 TABLE 7 PROJECTED MRI UTILIZATION

	Year 1	Year 2	Year 3
Procedures	1,200	1,350	1,500

See response to 1(c) below for more information on Le Bonheur's specialized services.

b. Providers proposing a new non-Specialty mobile MRI unit should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable; applicant is proposing fixed equipment.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Le Bonheur is the only provider in the service area for comprehensive pediatric services. The expertise of Le Bonheur's pediatric providers is unduplicated in the market, and the outpatient center will increase availability of these specialized pediatric services in a location convenient for patients and families. Le Bonheur qualifies as an exception to the standard number of procedures due to the specialized use of the MRI technology for pediatric patients in a dedicated pediatric facility.

The only dedicated pediatric MRI service equipped to treat complex patients and offer sedation to young patients in the service area is available at Le Bonheur's main hospital campus, 12 miles from the proposed outpatient center, which shares capacity with acute inpatients and emergency patients. The primary function of the proposed MRI will be to serve the pediatric patients being treated in a dedicated ambulatory setting by pediatric subspecialists housed in the same location. Le Bonheur pediatric subspecialty physicians treat complex pediatric patients who require special care and sedation during diagnostic procedures. The MRI will be staffed by Le Bonheur's specially trained personnel who understand the developmental aspects of imaging children. Pediatric radiologists will read all results and pediatric anesthesiologists are available to provide sedation services on children of all ages.

Le Bonheur is uniquely equipped to care for pediatric patients and families. Children often have a difficult time coping with diagnostics and other health care services. Le Bonheur is an expert in providing care in a child-friendly environment that is most appropriate for children. The outpatient diagnostic center will be staffed with a child-life specialist, specially trained to provide distraction and play therapies to help children cope. Additionally, Le Bonheur is focused on reducing radiation exposure for children and will employ the same techniques currently used at the main campus to limit and monitor radiation exposure in children. Other outpatient diagnostic centers in the service area are not equipped to provide outpatient diagnostics to complex pediatric patients or sedation to young children. The additional MRI unit will be more convenient and more easily accessible for pediatric patients located throughout the service area.

In 2006, Le Bonheur was granted an exception to the standard number of procedures for the intraoperative MRI (iMRI). Since 2011, the iMRI has reduced returns to the operating room by

43 84%. The iMRI is evidence of Le Bonheur's commitment to providing advanced services for children even when an exception to the standard number of procedures is required.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's service area are not adequate and/or that there are special circumstances that require these additional services.

Not applicable; applicant is proposing fixed equipment.

Hybrid MRI units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation therapy unit or a positron emissions tomography unit) based on the primary purposes of the Unit.

Not applicable; applicant is not proposing "hybrid" equipment.

Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The proposed MRI located in the outpatient center will provide additional, convenient access for patients located in Le Bonheur's service area. Since this equipment is for dedicated pediatric use, placing the MRI in this location will only effect utilization of other dedicated pediatric MRI units located at Le Bonheur's main campus.

More than 77% of Le Bonheur's outpatient visits originate from the designated service area for the proposed outpatient center. The designated service area includes Shelby, Fayette and Tipton counties in Tennessee and DeSoto and Marshall counties in Mississippi. See Table 8 below for detailed volumes.

TABLE 8 2012 LE BONHEUR OUTPATIENT VISITS

Service Area	Visits	% of Total
Primary TN	116,488	71%
Primary MS	10,066	6%
Out-of-area	37,812	23%
Total	164,366	100%

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Alternate services and technologies were investigated. However, existing outpatient providers in the service area do not care for complex pediatric patients or offer pediatric sedation for all ages. To assure that pediatric patients have an MRI in a safe and specialized environment, it must be located in a Le Bonheur facility.

Sedation is a high-risk procedure. Physician privileges for deep sedation are granted by the hospital credentials committee and are limited to Anesthesiology, Emergency Medicine, Pulmonary, and Critical Care physicians. In addition, these physicians have intubation as part of core privileges and successfully complete a review and exam on the pharmacology, adverse effects, administration, dosage, and emergency interventions of the sedative drugs used within the pediatric outpatient center.

The only existing facility in the service area capable of providing outpatient MRI sedation for complex pediatric patients of all ages is located at Le Bonheur's main campus, 12 miles from the proposed outpatient center. Additionally, the existing diagnostic services at Le Bonheur's main campus also serve inpatients and emergency patients in an acute care setting. Other outpatient providers in the service area are not equipped to provide outpatient diagnostics to complex pediatric patients or sedation to young children.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

Due to the highly specialized use for pediatric patients, placing an additional MRI unit at a Le Bonheur outpatient center will only effect utilization at Le Bonheur as previously described. For reference, the following table indicates MRI utilization for facilities in the Tennessee and Mississippi service area.

The combined average utilization of existing fixed MRI units in the service area is 2,938 in 2010 and 2011 and 2,812 in 2012 based on the State Equipment Registry data. Yet, St. Jude Children's Research Hospital is an internationally recognized center of excellence dedicated to research and treatment for children with cancer and other catastrophic diseases. St. Jude is caring for a unique population of patients. Excluding St. Jude's volumes and equipment from the market calculation, the average for MRI volumes per fixed unit is 2,955 in 2012 which is well above the 2,880 threshold.

45 TABLE 9 UTILIZATION OF MRI EQUIPMENT 2010-2012

	20	10	20	11	2012	
Fixed Equipment	Proc	# of Units	Proc	# of Units	Proc	# of Unit
Hospital-Based Equipment (HOSP)						
Baptist Memorial Hospital - Collierville	1,941	1	1,891	1	1,734	1
Baptist Memorial Hospital - Memphis	11,517	3	12,052	3	11,913	3
Baptist Rehabilitation - Germantown	1,702	1	1,622	1	1,596	1
Baptist Rehabilitation - Germantown (Briarcrest)	370	1	585	1	650	1
Delta Medical Center	880	1	1,006	1	787	1
Le Bonheur Children's Medical Center *	3,856	2	4,599	2	5,289	2
Methodist Healthcare - Germantown Hospital	8,313	2	7,698	2	6,557	2
Methodist Healthcare - South Hospital	3,536	1	4,073	1	4,139	1
Methodist Healthcare-North Hospital	6,359	2	6,058	2	6,092	2
Methodist Healthcare-University Hospital	9,136	3	9,677	3	9,803	3
Regional Medical Center /Medical Center MRI	3,733	1	3,927	1	4,491	1
St. Francis Hospital	6,159	3	5,482	3	5,393	3
St. Francis Hospital - Bartlett	3,030	1	3,257	2	3,642	2
St. Jude Children's Research Hospital	9,467	3	10,031	3	6,241	4
Baptist Memorial Hospital - Tipton	1,213	1	1,143	1	1,265	1
Baptist Memorial Hospital - DeSoto	7,798	3	7,366	3	N/A	N/A
Non-Hospital-Based Equipment						
Campbell Clinic - Union (1st year 2010)	64	1	2,290	1	2,155	1
Campbell Clinic	8,081	1	6,502	1	6,321	1
Diagnostic Imaging PC - Memphis	4,540	1	6,358	1	6,538	1
MSK Group PC - New Covington Pike	3,420	1	3,096	1	3,140	1
MSK Group PC - Briarcrest **	4,043		4,508	•	4,489	-
Neurology Clinic, PC	3,370	1	3,168	1	3,160	1
Outpatient Diagnostic Center of Memphis	2,389	1	2,207	1	2,214	1
Park Avenue Diagnostic Center	3,857	2	3,080	2	2,681	2
Semmes-Murphey Clinic (Humphreys Blvd)	7,327	2	7,300	2	6,490	2
Wesley Neurology Clinic, P.C. **	1,393		1,398	(3/)	1,309	
West Clinic, P.C	1,304	1	1,662	1	1,564	1
Carvel Imaging Center - Olive Branch	2,544	1	2,098	1	N/A	N/A
Carvel Imaging Center - Southaven	2,412	1	2,307	1	N/A	N/A
DeSoto Imaging Specialists	2,587	1	2,825	1	N/A	N/A
Subtotal Fixed Equipment	126,341	43	129,266	44	109,653	39
Average Procedures per Unit	2,938		2,938		2,812	
Subtotal Fixed Equipment without St. Jude	116,874	40	119,235	41	103,412	35
Average Procedures per Unit without St. Jude	2,922	- 10	2,908	- '-	2,955	55_

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	# of		# of		# of
Proc	Units	Proc	Units	Proc	Units
373	1	324	1	271	1
					7.00

Source: Medical Equipment Registry (as of July 16, 2013) and Mississippi State Health Plan 2014

*Note: Le Bonheur Children's Hospital has two standard pediatric MRIs and an iMRI which is used specifically for neurosurgery. Volumes for the iMRI are excluded.

5. Need Standards for Specialty MRI Units

All of question 5 is not applicable; applicant is not proposing a Specialty MRI unit.

- a. <u>Dedicated fixed or mobile Breast MRI Unit</u>. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposed and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 - 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 - 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit is in compliance with the federal Mammography Quality Standards Act;
 - 3. It is part of an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.
 - 4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.
- b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.
- c. <u>Dedicated fixed or mobile Multi-position MRI Unit</u>. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the

^{**} Note: Baptist Rehab Briarcrest equipment is shared with MSK Group Briarcrest and Neurology Clinic PC equipment is shared with Wesley Neurology Clinic, therefore the number of units is not listed to truly reflect the number of MRIs in the service area.

total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. If data permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Not applicable; applicant is not proposing a Specialty MRI unit.

- 7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.
 - a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

See Attachment B: II (E) for FDA certification.

b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The architect consulted on this project confirms that the physical environment will conform to all applicable federal standards, manufacturer's specifications and licensing agencies' requirements. See Attachment C: Economic Feasibility (1)(d) for the architect's letter.

c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

There are clinical technicians on the premises trained in basic pediatric life support when the patient is being scanned. In the event of cardiac or respiratory arrest, trained clinical personnel will initiate basic life support while the patient is being emergently removed from the scan room. The patient will be assessed and personnel will call 9-1-1 for an ambulance to transport the patient to Le Bonheur Children's Hospital. The hospital is approximately 12 miles from the proposed outpatient center. Le Bonheur provides pediatric specialty care that is only available at a tertiary, quaternary facility and is uniquely equipped to manage pediatric emergencies. Dedicated pediatric transport service staffed with pediatric trained clinical personnel is available.

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

There are established standard protocols in place for Le Bonheur Children's Hospital to ensure all MRI procedures are medically necessary and will not unnecessarily duplicate other services. All MRI procedures are required to have a physician's written order that defines the medical necessity for MRI. All orders will be reviewed to ensure that there is no unnecessary duplication of services. Methodist has a dedicated team of nurses that precertify all MRI scans through the various third party payers. The rigorous precert process ensures medical necessity and assures that the patient does not receive duplicative procedures. See Attachment C: MRI Services (7)(d) for the System Policy outlining the guidelines for a physician order for all diagnostic services.

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Le Bonheur Children's Hospital is fully accredited by the American College of Radiology (ACR). This site of care will essentially be a department of the hospital and will meet all accreditation requirements. Proposed staffing in the diagnostic center meets ACR recommendations.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Le Bonheur Children's Hospital will seek accreditation by the American College of Radiology in the timeframe specified.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Emergencies will be transferred to Le Bonheur Children's Hospital. Le Bonheur provides pediatric specialty care that is only available at a tertiary, quaternary facility and is uniquely equipped to manage complex pediatric emergencies. Dedicated pediatric transport service staffed with pediatric trained clinical personnel is available.

Both the outpatient center and the hospital will be operated under the same license and provider number, thus there is no need for a formal transfer agreement.

The physician medical director is an active member of the medical staff. See Attachment Section MRI Services 7(g) for current medical director's CV.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

Methodist assures the HSDA that all data requested to maintain the Equipment Registry will be submitted within the expected time frame.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:
- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Not applicable.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Le Bonheur Children's Hospital is the only provider of pediatric tertiary and quaternary care in the service area. As a children's hospital, Le Bonheur is capable of providing comprehensive specialized pediatric medical and surgical care to all acutely ill and injured children. Le Bonheur is a regional referral center for pediatric patients and is the only comprehensive provider of pediatric specialty care within 130 miles.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program.

Methodist is certified for both Medicare and TennCare/Medicaid and participates in both programs. Methodist contracts with all of the TennCare plans offered in the service area and with Medicaid in adjoining States. All hospitals including the hospital-based ambulatory centers treat TennCare participants under the system's TennCare contracts.

In comparison to other large counties across the State, Shelby County is the home to a disparate number of low-income children seeking coverage from the state's Medicaid program. Methodist is one of the largest health care providers of TennCare and is committed to these patients as reflected in the projections for this proposal.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g. pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Adequate preparation of children for the MRI procedure is vital to good outcomes. Pediatric specialists at Le Bonheur use a variety of resources including distraction, educational play and discussion with families to help children relax and prepare. Sedation is also commonly required for young children or those with significant behavioral problems. Both specialized preparation and sedation require longer preparation times impacting the ability to meet the need standard.

Le Bonheur's current average exam time is 46 minutes, plus additional time for entry and exit of patient from scanner. Some of the more complex pediatric scans take much longer to complete. With an additional scanner, some outpatient volume will shift from the main campus, opening up capacity for emergent and acute scans as well as additional outpatient scans of complex pediatric patients.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

This project is consistent with the long-range plan of Le Bonheur Children's Hospital to serve the pediatric health needs of the community and to provide increased access to high-quality pediatric care. Le

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Bonheur strives to provide access for all children who are currently seeing adult specialists, children who are being treated and diagnosed at adult facilities and children who need multidisciplinary clinical services.

With the opening of the new Le Bonheur Children's Hospital in 2010, Le Bonheur continued its mission to transform the main campus location into a center for highly specialized tertiary and quaternary pediatric care. As the only comprehensive provider of pediatric care within 130 miles, Le Bonheur serves children throughout the region and serves as a regional referral center for pediatric patients. For the past three years, Le Bonheur has been named as one of the nation's Best Children's Hospitals by *U.S. News & World Report*.

Le Bonheur's focus on advanced pediatric care has led to increased physician recruitment and a move toward an academics and research. Le Bonheur plans to continue this important work by serving all children of the community, improving access to health care for all children, attracting and retaining pediatric subspecialists and serving as a national resource contributing to the elimination of disease.

3. Identify the proposed service area <u>and</u> justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

See Attachment Section C: Need (3) for a county level service area map. The service area includes Shelby, Fayette and Tipton counties in Tennessee as well as DeSoto and Marshall counties in Mississippi. This service area is deemed reasonable for Le Bonheur's regional pediatric services based on the proximity to the proposed location and population of the area. Approximately 77% of Le Bonheur's current outpatients originate from this service area.

4. A. Describe the demographics of the population to be served by this proposal.

The total population of the designated service area is estimated at 1,247,435 in 2013 and is projected to be 1,284,717 in 2018, reflecting growth rate of 3%. For the same area, the population under 18 for 2013 was estimated at 323,544, projected to be 324,770 in 2018, with a growth rate of 1%.

51 TABLE 10 2013-2018 DEMOGRAPHIC CHARACTERISTICS PROJECTED 2013 SERVICE AREA (SHELBY, FAYETTE, TIPTON IN TN AND DESOTO AND MARSHALL IN MS)

DEMOGRAPHIC CHARACTERISTICS						
	Selected Area	USA		2013	2018	% Change
2010 Total Population	1,225,548	308,745,538	Total Male Population	600,028	619,544	3.3%
2013 Total Population	1,247,435	314,861,807	Total Female Population	647,407	665,173	2.7%
2018 Total Population	1,284,717	325,322,277	Females, Child Bearing Age (15-44)	261,624	259,282	-0.9%
% Change 2013 - 2018	3.0%	3.3%				
Average Household Income	\$64,194	\$69,637				

POPULATION	DISTRIBUTIO	NC				HOUSEHOLD INCOME DISTRIBUTION				
			Age Distribut	ion			Inco	me Distributi	on	
Age Group	2013	% of Total	2018	% of Total	USA 2013 % of Total	2013 Household Income	HH Count	% of Total	USA % of Total	
0-14	266,402	21.4%	269,659	21.0%	19.6%	<\$15K	71,997	15.4%	13.8%	
15-17	57,142	4.6%	55,111	4.3%	4.1%	\$15-25K	54,131	11.6%	11.6%	
18-24	124,218	10.0%	126,142	9.8%	10.0%	\$25-50K	125,098	26.8%	25.3%	
25-34	166,852	13.4%	168,536	13.1%	13.1%	\$50-75K	84,499	18.1%	18.1%	
35-54	339,551	27.2%	330,467	25.7%	26.9%	\$75-100K	52,486	11.2%	11.7%	
55-64	149,601	12.0%	161,339	12.6%	12.4%	Over \$100K	78,461	16.8%	19.5%	
65+	143,669	11.5%	173,463	13.5%	13.9%	(a				
Total	1,247,435	100.0%	1,284,717	100.0%	100.0%	Total	466,672	100.0%	100.0%	

EDUCATION LEVEL				RACE/ETHNICITY				
	Educati	ion Level Distri	bution	激·福里等[[[]] []	Race/E	thnicity Distril	oution	
2013 Adult Education Level	Pop Age 25+	% of Total	USA % of Total	Race/Ethnicity	2013 Pop	% of Total	USA % of Total	
Less than High School	38,431	4.8%	6.2%	White Non-Hispanic	552,093	44.3%	62.3%	
Some High School	75,282	9.4%	8.4%	Black Non-Hispanic	576,098	46.2%	12.3%	
High School Degree	235,561	29.5%	28.4%	Hispanic	73,388	5.9%	17.3%	
Some College/Assoc. Degree	246,827	30.9%	28.9%	Asian & Pacific Is. Non-Hispanic	26,539	2.1%	5.1%	
Bachelor's Degree or Greater	203,572	25.5%	28.1%_	All Others	19,317	1.5%	2.9%	
Total	799,673	100.0%	100.0%	Total	1,247,435	100.0%	100.0%	

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B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The population of this service area is comprised of children and infants with rates higher than the national average for extreme poverty, low-birth weight babies, and infant mortality. The specialized needs of these pediatric patients serves to increase immediate and long-term serious health problems and the need for specialized pediatric outpatient care including MRI.

• Thirty percent of Shelby County children are living in poverty and of this 30 percent, half are in extreme poverty. Shelby County is well above the national child poverty rate is 21.9 percent.

- Shelby County's infant mortality rate is 9.6 infant deaths per 1,000 live births, higher than the national average of 6.1 per 1,000 live births.
- Shelby County's percentage of low-birth-weight babies is 11 percent, higher than the national average of 8.1 percent.

Le Bonheur is the only provider in the region for comprehensive pediatric services and the proposed center will be the only dedicated pediatric outpatient center in the service area equipped to handle these complex pediatric patients.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

The MRI utilization for existing services is reported under the MRI criteria, yet it is repeated on the following pages for convenience.

There are approved, yet unimplemented CONs of similar institutions in the service area. Yet, as noted previously, the expertise of Le Bonheur's pediatric providers is unduplicated in the market, and the outpatient center will increase availability of these specialized pediatric services in a location convenient for patients and families.

53 COPY OF TABLE 9 UTILIZATION OF MRI EQUIPMENT 2010-2012

Fixed Equipment Hospital-Based Equipment (HOSP)	D	# of		11 6		
Hospital-Based Equipment (HOSP)	Proc	Units	Proc	# of Units	Proc	# of Units
Baptist Memorial Hospital - Collierville	1,941	1	1,891	1	1,734	1
Baptist Memorial Hospital - Memphis	11,517	3	12,052	3	11,913	3
Baptist Rehabilitation - Germantown	1,702	1	1,622	1	1,596	1
Baptist Rehabilitation - Germantown (Briarcrest)	370	1	585	1	650	1
Delta Medical Center	880	1	1,006	1	787	1
Le Bonheur Children's Medical Center *	3,856	2	4,599	2	5,289	2
Methodist Healthcare - Germantown Hospital	8,313	2	7,698	2	6,557	2
Methodist Healthcare - South Hospital	3,536	1	4,073	1	4,139	1
Methodist Healthcare-North Hospital	6,359	2	6,058	2	6,092	2
Methodist Healthcare-University Hospital	9,136	3	9,677	3	9,803	3
Regional Medical Center /Medical Center MRI	3,733	1	3,927	1	4,491	1
St. Francis Hospital	6,159	3	5,482	3	5,393	3
St. Francis Hospital - Bartlett	3,030	1	3,257	2	3,642	2
St. Jude Children's Research Hospital	9,467	3	10,031	3	6,241	4
Baptist Memorial Hospital - Tipton	1,213	1	1,143	1	1,265	1
Baptist Memorial Hospital - DeSoto	7,798	3	7,366	3	N/A	N/A
Non-Hospital-Based Equipment				-0		
Campbell Clinic - Union (1st year 2010)	64	1	2,290	1	2,155	1
Campbell Clinic	8,081	1	6,502	1	6,321	1
Diagnostic Imaging PC - Memphis	4,540	1	6,358	1	6,538	1
MSK Group PC - New Covington Pike	3,420	1	3,096	1	3,140	1
MSK Group PC - Briarcrest **	4,043	-	4,508		4,489	Ħ
Neurology Clinic, PC	3,370	1	3,168	1	3,160	1
Outpatient Diagnostic Center of Memphis	2,389	1	2,207	1	2,214	1
Park Avenue Diagnostic Center	3,857	2	3,080	2	2,681	2
Semmes-Murphey Clinic (Humphreys Blvd)	7,327	2	7,300	2	6,490	2
Wesley Neurology Clinic, P.C. **	1,393	-	1,398	* 3	1,309	-
West Clinic, P.C	1,304	1	1,662	1	1,564	1
Carvel Imaging Center - Olive Branch	2,544	11	2,098	1	N/A	N/A
Carvel Imaging Center - Southaven	2,412	1	2,307	1	N/A	N/A
DeSoto Imaging Specialists	2,587	1	2,825	1	N/A	N/A
Subtotal Fixed Equipment	126,341	43	129,266	44	109,653	39
Average Procedures per Unit	2,938		2,938		2,812	
Subtotal Fixed Equipment without St. Jude	116,874	40	119,235	41	103,412	35
Average Procedures per Unit without St. Jude	2,922	70	2,908	71	2,955	<u> </u>

1	, 54		r ·	1	1	
	2010	2011	2012			
		# of		# of		# of
Mobile Equipment	Proc	Units	Proc	Units	Proc	Units
Methodist Healthcare - Fayette Hospital	373	1	324	1	271	1

Source: Medical Equipment Registry (as of July 16, 2013) and Mississippi State Health Plan 2014

*Note: Le Bonheur Children's Hospital has two standard pediatric MRIs and an iMRI which is used specifically for neurosurgery. Volumes for the iMRI are excluded.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology <u>must include</u> detailed calculations or documentation from referral sources, and identification of all assumptions.

The two tables below represent the average number of procedures currently provided by the two standard MRI units located at Le Bonheur's main campus (this excludes procedures performed on the iMRI) and the projected average number that would result if three units were available.

TABLE 11 HISTORICAL MRI SCANS

	Actual 2011	Actual 2012	Projected 2013
Procedures	4,599	5,289	5,558
# of units	2	2	2
Avg. per unit	2,300	2,649	2,779

TABLE 12 PROJECTED MRI SCANS

	Year 1	Year 2
Procedures	7,752	8,164
# of units	3	3
Avg. per unit	2,584	2,721

The average annual clinical procedures per MRI unit at Le Bonheur is approaching capacity. With the addition of the proposed MRI unit in the outpatient center, we anticipate a shift of outpatients from the main campus to the new facility based on proximity and convenience. Methodology includes the following assumptions:

- 80% of the current MRI procedure volume located geographically closer to the proposed outpatient center would shift to the new facility.
- Additional volume projections based on the current utilization of pediatric subspecialists along with the planned recruitment of additional subspecialists.

^{**} Note: Baptist Rehab Briarcrest equipment is shared with MSK Group Briarcrest and Neurology Clinic PC equipment is shared with Wesley Neurology Clinic, therefore the number of units is not listed to truly reflect the number of MRIs in the service area.

- 1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

The CON filing fee calculated from Line D of the Project Costs Chart was \$45,000; therefore a check for this amount accompanies the application.

• The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the project procedures, the "per click" rate and the term of the lease.

The lease for the building is estimated at \$18,756,912 for the remainder of the lease (from 2015 when leased is assigned to this project through the end of the lease in 2026) and the fair market value is estimated lower than lease cost. The hospital-based space is approx 69% of the total building square footage, therefore, that portion of the lease payments (the greater of the lease and fair market value) are included in the project costs at \$12,913,252.

• The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

See Attachment C: Economic Feasibility (1)(c) for the list of moveable equipment over \$50,000.

For projects that include new construction, modification, and/or renovation;
 documentation must be provided from a contractor and/or architect that support the estimated construction costs

A letter from the architect follows as Attachment C: Economic Feasibility (1)(d).

PROJECT COSTS CHART

A.	Con	struction and equipment acquired by purchase:	
	1.	Architectural and Engineering Fees	490,759
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	10,000
	3.	Acquisition of Site	
	4.	Preparation of Site	
	5.	Construction Costs	3,992,600
	6.	Contingency Fund	399,260
	7.	Fixed Equipment (Not included in Construction Contract)	
	8.	Moveable Equipment (List all equipment over \$50,000)	8,791,986
	9.	Other (Specify)	156,000
В.	Acq	uisition by gift, donation, or lease:	
	1.	Facility (inclusive of building and land)	12,913,252
	2.	Building only	
	3.	Land only	
	4.	Equipment (Specify)	
	5.	Other (Specify)	
C.	Fina	ncing Costs and Fees:	
	1.	Interim Financing	
	2.	Underwriting Costs	
	3.	Reserve for One Year's Debt Service	
	4.	Other (Specify)	
D.	Estir (A+I	nated Project Cost B+C)	26,753,857
E.	CON	Filing Fee	45,000
\mathbf{F}_{*}		Estimated Project Cost	
	(D+I	TOTAL .	26,798,857

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Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility(2.)

	A.	Commercial loan—Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
	В.	Tax-exempt bonds—Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
	C.	General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
	D.	GrantsNotification of intent form for grant application or notice of grant award; or
X	E.	Cash ReservesAppropriate documentation from Chief Financial Officer.
	F.	Other—Identify and document funding from all other sources.
ı		Methodist Healthcare is prepared to fund the project cost with cash reserves. See the attached letter from the Chief Financial Officer. Attachment C: Economic Feasibility (2)

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The costs of the project are reasonable and comparable to similar CON projects approved throughout the service area over the last few years. This project has an estimated cost per square foot of approximately \$152 (\$3,992,600 / 26,360 sf). See the cost per square foot comparison below.

COPY OF TABLE 2
COST PER SQUARE FOOT COMPARISON WITH APPROVED PROJECTS

CON Name	Date Filed	st per ire Foot
Methodist University PET	Nov-11	\$ 244
Renovation & Relocation		
Campbell Clinic	Aug-12	\$ 244
Surgery Center Construction & Renovation		
The Regional Medical Center – The Med	Aug-12	\$ 225
Hospital Construction & Renovation		
Baptist Memorial Women's Hospital	Dec-12	\$ 238
ED Construction & Renovation		
Baptist Memorial Tipton Hospital	Dec-12	\$ 250
Establish Cancer Center (Relocation)	1	

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4. Complete Historical and Projected Data Charts on the following two pages—<u>Do not modify the Charts provided or submit Chart substitutions!</u> Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Following this page are the Historic Data Chart for Methodist Healthcare-Memphis Hospitals, and a Projected Data Chart for Le Bonheur Children's Hospital. See Attachment C: Economic Feasibility (4) for items included in the Other Expense and Revenue amounts.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

The average gross charge and deduction amounts below are calculated using adjusted discharges

Average Gross Charge	\$ 70,070
Average Deduction	48,021
Average Net Charge	\$ 22,049

59 HISTORICAL DATA CHART

<u>Methodist Healthcare – Memphis Hospitals</u>

Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

A. Utilization Data (Patient Days)	,	Year	2010 343,664	Ye	ar <u>2011</u> 354,115	Yea	2012 350,565
B. Revenue from Services to Patient	ts	-		(in thou	usands)		
1. Inpatient Services	9	\$ 2,	356,295	\$	2,473,036	\$	2,547,551
2. Outpatient Services		1,	268,029		1,409,960		2,028,543
3. Emergency Services		+	206,355		242,879		285,982
4. Other Operating Revenue			16,542		16,716		29,498
(Specify) see attached							
Gross Ope	rating Revenue	\$ 3,	847,221	\$	4,142,591	\$ _	4,891,574
C. Deductions from Gross Operating	g Revenue						
1. Contractual Adjustments	9	\$ 2,	354,936	\$	2,531,442	\$_	3,052,543
2. Provision for Charity Care			291,148		319,941	_	338,430
3. Provisions for Bad Debt		1	94,541	4	112,949		142,763
To	otal Deductions S	\$2,	740,625	\$	2,964,332	\$_	3,533,736
NET OPERATING REVENUE	9	\$ _1,	106,596	\$	1,178,259	\$_	1,357,838
D. Operating Expenses							
1. Salaries and Wages	5	\$	387,179	\$	406,073	\$_	433,147
2. Physician's Salaries and Wa	iges		6,016		3,224		4,073
3. Supplies			225,698	_	233,548	-	301,936
4. Taxes			1,116		1,392	7=	1,762
5. Depreciation			53,892		70,172		72,894
6. Rent			2,271		2,462	_	7,098
7. Interest, other than Capital		-		_			
8. Management Fees: a) F	ees to Affiliates		1,482	_	1,072	22	4,268
b) Fees to	Non-Affiliates		3,068		2,768	2=	2,584
9. Other Expenses see attache	d		362,941		381,551	-	451,042
Total Oper	0 1		043,663	\$	1,102,262	\$_	1,278,804
E. Other Revenue (Expenses) – Net	see attached	\$	46,696	\$	33,080	\$_	33,243
NET OPERATING INCOME (LOS	(S)	\$	109,629	\$_	109,077	\$_	112,277
F. Capital Expenditures							
1. Retirement of Principal	9	\$		\$		\$	
2. Interest		-	12,792	_	24,440	_	24,053
Total Capita NET OPERATING INCOME (LOS		\$	12,792	\$	24,440	\$_	24,053
LESS CAPITAL EXPENDITURES		\$	96,837	\$	84,637	\$	88,224

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

There will be no change to the existing charge structure as a result of this project, yet there will be normal unrelated rate increases over the next several years. See the current MRI and CT charges below.

TABLE 13
METHODIST CURRENT CHARGE SCHEDULES

Procedure	CPT	Current Rate
СТ		
3D RENDERING CT/MRI/US/OTH W POSTPROCESS	76377	\$ 1,040
CT ABD AND PEL WITH CONTRAST	74177	\$ 5,036
CT ABD AND PEL WO CONTRAST	74176	\$ 3,637
CT ANGIO CHEST W/WO CONT W IMAGE POST PR	71275	\$ 2,931
CT BRAIN/HEAD WO CONT	70450	\$ 1,820
CT MAXILLOFACIAL AREA W CONT	70487	\$ 2,518
CT MAXILLOFACIAL AREA WO CONT	70486	\$ 1,820
CT ORBIT/SELLA/POST FOSSA/EAR WO CONT	70480	\$ 1,820
CT SOFT TISSUE NECK W CONT	70491	\$ 2,518
CT SPINE CERV WO CONT	72125	\$ 1,820
CT THORAX W CONT	71260	\$ 2,518
CT THORAX WO CONT	71250	\$ 1,820
MRI		
MRA HEAD W/WO CONT	70546	4,801.00
MRA HEAD WO CONT	70544	3,526.00
MRI ABD WO CONT	74181	3,526.00
MRI BRAIN & STEM W/WO CONT	70553	4,801.00
MRI BRAIN & STEM WO CONT	70551	3,526.00
MRI BRAIN FUNCTIONAL MRI BY PHYS/PSYCH	70555	2,864.00
MRI ORBIT/FACE/NECK W/WO CONT	70543	4,801.00
MRI SPINE CERV W/WO CONT	72156	4,801.00
MRI SPINE CERV WO CONT	72141	3,526.00
MRI SPINE LUMBAR W/WO CONT	72158	4,801.00
MRI SPINE LUMBAR WO CONT	72148	3,526.00
MRI SPINE THORACIC W/WO CONT	72157	4,801.00
MRI SPINE THORACIC WO CONT	72146	3,526.00

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projected recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Based upon the review, the proposed charges are reasonable and comparable for MRI and CT services in the service area. There will be no impact to the charge structure due to this project. Tables 14 and 15

PROJECTED DATA CHART

Le Bonheur Children's Hospital

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

				Year		Year	2018
Α.		ization Data (Patient days)		-	65,197		65,523
B.		renue from Services to Patients		Φ	•	thousand	-
	1.	Inpatient Services		\$_	711,935	\$	751,268
	2.	Outpatient Services			423,696		447,824
	3.	Emergency Services		-	7.007		7.202
	4.	Other Operating Revenue	see attached	_	7,227	-	7,293
C	Dad	hartiana forma Corre Occuptions B	Gross Operating Revenue	\$ _	1,142,857	\$.	1,206,386
C.	Dec	luctions from Gross Operating R	evenue				
	1.	Contractual Adjustments		\$_	741,645	\$.	792,608
	2.	Provision for Charity Care		-	11,555		12,202
	3.	Provisions for Bad Debt		_	30,034		32,513
			Total Deductions	\$	783,234	\$.	837,324
NET	OPI	ERATING REVENUE		\$	359,623	\$,	369,063
D.	Ope	rating Expenses					
	1.	Salaries and Wages		\$	123,101	\$.	126,628
	2.	Physician's Salaries and Wage	S	_	494		511
	3.	Supplies			46,016		47,461
	4.	Taxes			344		351
	5.	Depreciation		-	30,989		28,809
	6.	Rent		_	2,555		2,585
	7.	Interest, other than Capital			=		
	8.	Management Fees:	a) Fees to Affiliates		219		224
			b) Fees to Non-Affiliates		512		522
	8.	Other Expenses	see attached		134,411		138,382
			Total Operating Expenses	\$	338,644	\$	345,473
E.	Oth	er Revenue (Expenses) Net (S	pecify)	\$	27,603	\$	31,617
NET	OPI	ERATING INCOME (LOSS)		\$	48,583	\$	55,207
F.	Сар	ital Expenditures					
	1.	Retirement of Principal		_	*		199
	2.	Interest		_	18,130		17,443
			Total Capital Expenditures	\$	18,130	\$	17,443
NET OPERATING INCOME (LOSS)					20.455		2= =<:
LES	S CA	PITAL EXPENDITURES		\$	30,452	\$.	37,764

62 below show the comparisons of charges based on data from the 2012 State Equipment Registry. With normal rate increases, projected revenue is reasonable and comparable.

> **TABLE 14** METHODIST SERVICE AREA HOSPITAL-BASED MRI CHARGE COMPARISON, 2012

Facility Type	Facility	Charge per Procedure
HOSP	Baptist Memorial Hospital-Collierville	\$ 2,386
HOSP	Baptist Memorial Hospital-Memphis	\$ 2,438
HOSP	Baptist Memorial Hospital-Tipton	\$ 2,347
HOSP	Regional Medical Center at Memphis	\$ 3,101
HOSP	St. Francis Hospital	\$ 4,096
HOSP	St. Francis Hospital – Bartlett	\$ 2,743
PED-HOSP	St. Jude Children's Research Hospital	\$ 3,701
PED-HOSP	Le Bonheur Children's Hospital	\$ 3,743

TABLE 15 METHODIST SERVICE AREA HOSPITAL-BASED CT CHARGE COMPARISON, 2012

Facility Type	Facility	Charge per Procedure
HOSP	Baptist Memorial Hospital-Collierville	\$ 2,482
HOSP	Baptist Memorial Hospital-Memphis	\$ 2,276
HOSP	Baptist Memorial Hospital for Women	\$ 2,832
HOSP	Baptist Memorial Hospital-Tipton	\$ 2,558
HOSP	Regional Medical Center at Memphis	\$ 2,493
HOSP	St. Francis Hospital	\$ 4,827
HOSP	St. Francis Hospital – Bartlett	\$ 4,451
PED-HOSP	St. Jude Children's Research Hospital *	\$ 615
PED-HOSP	Le Bonheur Children's Hospital	\$ 2,082

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

The projections in this application demonstrate that Methodist Healthcare-Memphis Hospitals and Le Bonheur Children's Hospital will remain financially viable. The comparisons of average charges at facilities of similar approved scope, as documented in the previous section, demonstrate that the applicant will remain relatively cost-effective.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

As reflected in this application's historic and projected data charts, Methodist Healthcare-Memphis Hospitals and Le Bonheur Children's Hospital are viable today, and will remain financially viable during its first two years of operation and subsequently.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Le Bonheur Children's Hospital currently serves the Medicare, TennCare, and medically indigent populations. The estimated payor mix for 2017, the first full year of operation, is shown below.

TABLE 16 PROJECTED PAYOR MIX, 2017

Payor	Revenue	% of Total Revenue
Medicare	\$ 8,218,484	1%
TennCare/Medicaid	\$ 754,754,136	66%
Self Pay	\$ 11,732,531	2%
Commercial/Other	\$ 360,925,004	32%
Total	\$ 1,135,630,155	100%

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Audited financials and cash are held at the corporate level, therefore, please see the attached most recent audited financials for Methodist Healthcare. Also, a balance sheet for the period ending September 2013 for Methodist Le Bonheur Healthcare is included along with an income statement for Methodist Healthcare – Memphis Hospitals. See Attachment C: Economic Feasibility (10).

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Alternatives to the proposed project included expanding services at existing locations or opening additional locations in the service area.

The expansion of services in existing locations is not feasible due to the lack of sufficient space for expansion. Additionally, the existing locations share space with adult health services and this does not meet the need of treating pediatric patients in a dedicated pediatric facility.

The opening of additional locations in the service area was also considered. This alternative would also not provide pediatric services in dedicated pediatric location. The opening of additional locations would not increase convenience for patients and families or allow for efficiencies in providing care or collaboration among specialists.

The proposed project is by far the most rational long-range investment. By consolidating and expanding services in an existing location known for health care services, Le Bonheur is able to offer additional access to pediatric patients in the service area, while shifting outpatient volume from the main campus and opening up capacity for research and academic needs that are part of Le Bonheur's long-range plan. This alternative is the only option that can address capacity and efficiency needs, provide patients and families an additional, convenient access point and provide pediatric patients in the area with high-quality care in a dedicated pediatric facility.

65 CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Le Bonheur Children's hospital has working relationships with the following physician groups:

- UT Le Bonheur Pediatric Specialists
- Campbell Clinic Orthopaedics
- Duckworth Pathology Group
- Pediatric Anesthesiologists PA
- Pediatric Emergency Specialists PC
- Semmes-Murphey Neurologic and Spine Institute
- UT Medical Group, Inc.

The Methodist Healthcare-Memphis Hospitals' license includes five hospitals:

- Methodist Healthcare-University Hospital
- Methodist Healthcare-South Hospital
- Methodist Healthcare-North Hospital
- Methodist Healthcare-Le Bonheur Germantown Hospital
- Le Bonheur Children's Hospital

Additionally, Methodist Healthcare owns and operates Methodist Alliance Services, a comprehensive home care company, and a wide array of other ambulatory services such as minor medical and urgent care centers, outpatient diagnostic centers and ambulatory surgery centers.

Methodist Healthcare is part of the University Medical Center Alliance which also includes the University of Tennessee and the Memphis Regional Medical Center (The Med). The goal of this council is to support the quality of care, patient safety and efficiency across all three institutions.

There are also agreements with the Mid-South Tissue Bank, the Mid-South Transplant Foundation, Duckworth Pathology and PhyAmerica. In addition, there is an agreement with Premier Purchasing Partners.

A list of managed care contracts is attached in Attachment C: Orderly Development (1).

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

The proposed pediatric outpatient center will shift outpatient volume from the Le Bonheur main campus in downtown Memphis to a more accessible location in East Memphis and will offer additional outpatient capacity. This shift will free up space at the main campus for the expanded research and academic needs that are part of Le Bonheur's long-range plan.

The resulting shift will improve care for children in the region by offering an additional, convenient location to receive care and expanding capacity for both outpatient care and research and academic work. The expanded space for research and academic work will support Le Bonheur's plans to continue to recruit top pediatric specialists to the area.

66 As the only provider of comprehensive pediatric care in the service area, the proposed project does not duplicate services of existing providers.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

All positions at Methodist are reviewed at least annually for market competitiveness. Tools for analysis for this review are comprised of several local and regional surveys, as well as several national surveys. Methodist strives to be competitive in pay and pay reported in the aforementioned surveys. See table below for the FTE's by position and prevailing wage patterns in the service area.

TABLE 17 METHODIST LE BONHEUR HEALTHCARE **CURRENT PREVAILING WAGES AND** ANTICIPATED CLINICAL STAFFING PATTERNS, 2017-2018

		Le Bonhe	ur	BLS 2012 Memphis MSA Data *			
Methodist Position Title	FTE's 2017	FTE's 2018	Mid Hourly 2013	Mean Hourly	Mean Annual	BLS Occupation Title	
Access Facilitator	2.0	2.0	\$ 13.39	\$ 13.94	\$ 28,990	Medical Secretaries	
Audiologist	1.0	1.0	\$ 31.99	\$ 26.88	\$ 55,910	Audiologist	
Case Manager	1.0	1.0	\$ 31.99	\$ 25.22	\$ 52,450	Health Care Social Workers	
Child Life Specialist	3.0	3.0	\$ 19.71	\$ 25.37	\$ 52,770	Healthcare Practitioners, Othe	
CT Tech II	2.0	2.0	\$ 26.37	\$ 25.16	\$ 52,330	Radiologic Technologist	
Echocardiographer	0.4	0.4	\$ 31.99	\$ 21.53	\$ 44,780	Cardiovascular Technologist	
EKG Tech	0.4	0.4	\$ 16.24	\$ 21.53	\$ 44,780	Cardiovascular Technologist	
EVS attendant	1.0	1.0	\$ 11.04	\$ 13.92	\$ 28,960	Building Cleaning Workers	
MRI Tech II	2.0	2.0	\$ 26.37	\$ 28.11	\$ 58,470	MRI Technologist	
OccupTherapist	3.1	3.1	\$ 35.25	\$ 36.23	\$ 75,360	Occupational Therapist	
Patient Escort	1.0	1.0	\$ 11.04	\$ 18.91	\$ 39,320	Healthcare Support, Other	
Phlebotomist	2.0	2.0	\$ 13.39	\$ 12.77	\$ 26,570	Phlebotomist	
Physical Therapist	2.6	2.6	\$ 35.25	\$ 38.74	\$ 80,570	Physical	
Radiology Tech	3.0	3.0	\$ 26.37	\$ 25.16	\$ 52,330	Radiologic Technologist	
Receptionist/Clerk	2.0	2.0	\$ 13.39	\$ 12.26	\$ 25,490	Receptionists and Info Clerks	
Rehab Services Tech	1.0	1.0	\$ 10.44	\$ 12.40	\$ 25,790	Rehab Counselors	
Rehab Supervisor	1.0	1.0	\$ 38.83	\$ 43.46	\$ 90,400	Medical/Health Services Mgrs	
RN Radiology	3.0	3.0	\$ 26.37	\$ 29.09	\$ 60,500	Registered Nurse	
Scheduler	1.0	1.0	\$ 14.75	\$ 13.94	\$ 28,990	Medical Secretaries	
Security Officer	1.0	1.0	\$ 13.39	\$ 11.23	\$ 23,350	Security Guards	
Site Manager	1.0	1.0	\$ 38.83	\$ 44.72	\$ 93,010	Managers, Other	
Speech Pathologist	4.0	4.0	\$ 35.25	\$ 30.32	\$ 63,060	Speech-language Pathologist	
Ultrasound Tech	1.0	1.0	\$ 31.99	\$ 25.16	\$ 52,330	Radiologic Technologist	
Total	39.5	39.5					

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Recruitment of clinical professionals is challenging, but the hospital's additions of staff will take place incrementally over the next 3-4 years. Methodist fortunately has the resources to successfully support these recruitment efforts.

Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

The applicant so verifies. Le Bonheur Children's Hospital reviewed and meets all the State requirements for physician supervision, credentialing, admission privileges and quality assurance policies and programs, utilization review policies and programs, record keeping and staff education.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Methodist Le Bonheur Healthcare has clinical affiliation agreements with multiple colleges including 23 for nursing, 30 for rehabilitation service professionals (physical therapy, speech therapy, and audiology), 3 for pharmacy, and 19 for other allied health professionals including paramedics, laboratory, respiratory therapy, radiation therapy technicians. As a part of Methodist Le Bonheur Healthcare, Le Bonheur Children's Hospital offers an additional site for clinical training. There are approximately 1400 students annually participating in these programs at Methodist.

Methodist - Le Bonheur participates very heavily in the training of students from various medical disciplines. Since relationships exist with most of the schools in Memphis, most of the students have also been trained academically in this region. The three primary disciplines that participate in the training of students at Methodist - Le Bonheur are medicine, nursing, and psychosocial services.

In the area of medicine, there are many different specialties represented in the interns and residents who train at Methodist - Le Bonheur. A list of those specialties is provided below:

Med/Peds Anesthesiology **Pediatrics Immunology** Nephrology Pediatric Nephrology Critical Care Neurology **Pediatric Surgery** Neurosurgery Radiology Emergency medicine Endocrinology Orthopedics Otolaryngology Family Medicine Infectious Disease Urology

Surgery Thoracic Surgery Ophthalmology

Likewise, because there are several nursing schools in the area, Methodist - Le Bonheur is very active in the training of future nurses. These nurses come from several types of programs, which include Bachelor's Degrees, Associate Degrees, Licensed Practical Nurse programs and Diploma programs. Methodist - Le Bonheur participates in training of students from the following schools:

Methodist Healthcare University of Memphis Baptist Health System Southwest Tennessee Community College University of Tennessee Northwest Mississippi Jr. College Regional Medical Center Tennessee Centers of Technology 7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Le Bonheur Children's Hospital has reviewed these, and meets all applicable requirements of the Department of Health. Other departments are not involved with this facility.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

The general hospital license held by Methodist Healthcare-Memphis Hospitals d/b/a Le Bonheur Children's Hospital is from the Tennessee Department of Health, Board for Licensing Health Care Facilities

Accreditation:

The accreditation agency for Le Bonheur Children's Hospital is the Joint Commission on Accreditation of Healthcare Organizations, from whom the hospital has a full three-year accreditation.

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Le Bonheur Children's Hospital is in good standing with the Department of Health, the Healthcare Facility Licensing Board and Joint Commission. The hospital license and accreditation report is attached. See Attachment C: Orderly Development (7)(c)

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction.

Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Documentation regarding deficiencies and approved plan of correction in our licensure is attached. See Attachment C: Orderly Development (7)(d)(1) and C: Orderly Development (7)(d)(2).

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

None

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

None

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Should this application be approved, Le Bonheur Children's Hospital will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The full page of the <u>Commercial Appeal</u> newspaper in which the Notice of Intent appeared is attached as Attachment C: Proof of Publication.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

Not applicable.

2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

Not applicable.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68 –11-1609(c): February 26, 2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	60	Apr / 2014
2. Construction documents approved by the Tennessee Department of Health	150	Aug / 2014
3. Construction contract signed	60	Apr / 2014
4. Building permit secured	180	Sept / 2014
5. Site preparation completed	NA	NA
6. Building construction commenced	210	Oct / 2014
7. Construction 40% complete	660	Dec / 2015
8. Construction 80% complete	720	Feb / 2016
9. Construction 100% complete (approved for occupancy)	780	Apr / 2016
10. *Issuance of license	810	May / 2016
11. *Initiation of service	810	May / 2016
12. Final Architectural Certification of Payment	870	July / 2016
13. Final Project Report Form (HF0055)	900	Aug / 2016

^{*} For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final

ATTACHMENTS

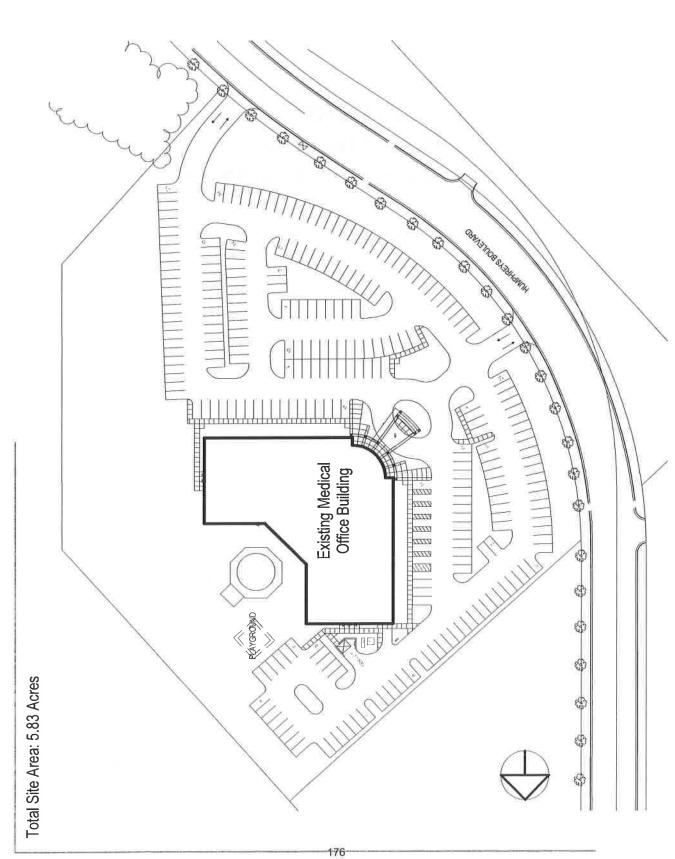
INDEX OF ATTACHMENTS

A . 4	
A:4	Ownership-Legal Entity and Organization Chart
A:6	Site Control
B: II (E)	FDA Certificate
B: II (E)(3)	Equipment Vendor Quotes
B:III (A)	Plot Plan
B:III (B)	Road Maps and Public Transportation Routes
B:IV	Floor Plans
C: MRI Services (7)(d)	Outpatient Diagnostic Services System Policy
C: MRI Services (7)(e)	ACR Accreditation
C: MRI Services (7)(g)	Medical Director CV
C: Need (3)	Service Area Map
C: Economic Feasibility (1)(c)	Moveable Equipment Listing > \$50,000
C: Economic Feasibility (1)(d)	Documentation of Construction Cost Estimate
C: Economic Feasibility (2)	Documentation of Availability of Funding
C: Economic Feasibility (4)	Detail of Other Revenue and Expense
C: Economic Feasibility (10)	Financial Statements
C: Orderly Development (1)	List of Managed Care Contracts
C: Orderly Development (7)(c)	License from Board of Licensing Health Care Facilities
C: Orderly Development (7)(d)(1)	TDH Licensure Survey and Plan of Correction
C: Orderly Development (7)(d)(2)	Joint Commission Accreditation and Survey Summary
C: Proof of Publication	
Support Letters	

A:4 Ownership-Legal Entity and Organization Chart

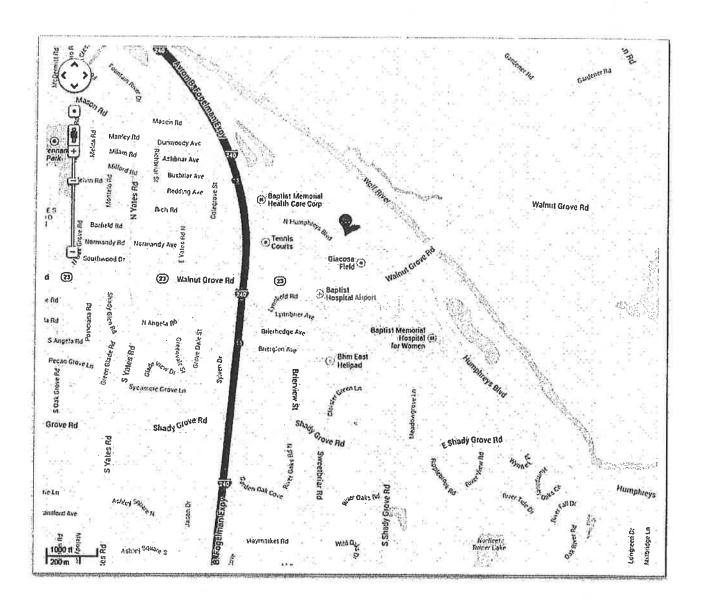
Methodist Le Bonheur Healthcare Methodist Healthcare Foundation ("MHF") Methodist Healthcare - Memphis Hospitals ("MHMH") Five (5) primary facilities: Methodist University Hospital Le Bonheur Childen's Hospital Foundation ("LCMCF") Methodist North Hospital Methodist South Hospital Methodist Le Bouheur Germantown Hospital Le Bonheur Community Health and Well-Being Le Bonheur Children's Hospital ("LCHWB") UT Methodist Physicians, LLC Alliance Health Services, Inc. ("AHS") Le Bonheur Patient Transportation, LLC Methodist Healthcare Community Care Associates ("MHCCA") Le Bonheur Pediatrics, LLC Methodist Healthcare Dialysis Center, LLC Methodist Inpatient Physicians, LLC Specialty Physician Group, LLC DeSoto Diagnostic Imaging, LLC (1) SPG II, LLC Ambulatory Operations, Inc. (1) Division of Clinical Neurosciencs, LLC Le Bonheur East Surgery Center II, L.P. (1) Primary Care Group, LLC Foundation Primary Care, LLC Revenue Assurance Professionals, LLC (1) PCG II, LLC Solus Management Services, Inc. (1) Methodist Healthcare - Fayette Hospital ("MHFH") Memphis Professional Building, Inc. (1) Methodist Healthcare - Olive Branch Hospital Methodist Extended Care Hospital, Inc. ("MECH") Le Bonheur Urgent Care, LLC Methodist Healthcare Primary Care Associates ("MHPCA") Methodist Specialty Physician III, LLC Methodist Specialty Physician VI, LLC (1) Methodist Specialty Physician VII, LLC (1)

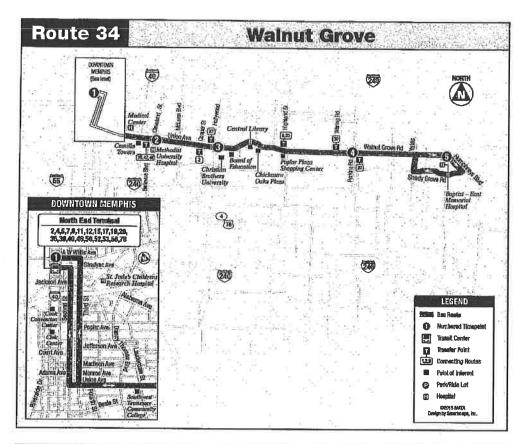
B: III (A) Plot Plan 11/06/13



healthcare

B: III (B)
Road Maps and
Public Transportation Route





		MONDAY - FRIDAY	OUTBOUND FROM	M DOWNTOWN	
	North End Terminal	Union Ave et Cléveland St	3 Union Ave at Hollywood	Walnut Grove st Perkins Rd	Humphreys Blvd at Walnut Grove
AM	5:54	6:07	6:17	6:27	6:40
	6:40	6:53	7:03	7:13	7:26
	7:31	7:44	7:54	8:04	8:17
	8:17	8:30	8:40	8:50	9:03
	9:08	9:21	9:31	9:41	9:54
	10:45	10:58	11:08	11:18	11:31
PM	12:25	12:38	12:48	12:58	1:11
	2:05	2:18	2:28	2:38	2:51
	2:50	3:03	3:13	3:23	3:36
	3:42	3:55	4:05	4:15	4:28
	4:27	4:40	4:50	5:00	5:13
	5:19	5:32	5:42	5:52	6:05

	MONDAY – FRIDAY • INBOUND TO DOWNTOWN				il sevel
	5 Humphreys Blvd at Walnut Grove	Walnut Grove et Perkins Rd	Union Ave at Hollywood	Union Ave at Cleveland St	North End Terminal
AM	6:43	6:58	7:08	7:18	7:31
	7:29	7:44	7:54	8:04	8:17
	8:20	8:35	8:45	8:55	9:08
	9:06	9:21	9:31	9:41	9:54
	9:57	10:12	10:22	10:32	10:45
	11:34	11:49	11:59	12:09	12:25
'M	1:14	1:29	1:39	1:49	2:05
1911-2	2:54	3:09	3:19	3:29	3:42
	3:39	3:54	4:04	4:14	4:27
	4:31	4:46	4:56	5:08	5:18
	5:16	5:31	5:41	5:51	6:04

	0	2	3	4	6
	North End	Union Ave at	Union Ave	Walnut Grove	Humphreys Blvd
	Terminal	Cleveland St	Hollywood	Perkins Rd	at Walnut Grove
W	6:01	6:14	6:24	6:34	6:47
	7:38	7:51	8:01	8:11	8:24
	9:15	9:28	9:38	9:48	10:01
	10:52	11:05	11:15	11:25	11:38
PM	12:29	12:42	12:52	1:02	1:15
	2:06	2:19	2:29	2:39	2:52
	3:43	3:59	4:06	4:16	4:29
	5:20	5:33	5:43	5:53	6:06

					DWN
	5	4	3	2	0
	Humphreys Blvd	Walnut Grove at	Union Ave	Union Ave at	North End
	at Walnut Grove	Perkins Ad	Holfywood	Cleveland St	Terminal
AM	6:50	7:05	7:15	7:25	7:38
	8:27	8:42	8:52	9:02	9:15
	10:04	10:19	10:29	10:39	10:52
	11:41	11:56	12:06	12:16	12:29
PM	1:18	1:33	1:43	1:53	2:06
	2:55	3:10	3:20	3:30	3:43
	4:32	4:47	4:57	5:07	5:20
	-			-	_

0 1 (2) UNINA 11-123 9:15 11:15 1:15 9:40 10:40 11:40 12:40 1:40 9:00 10:00 11:00 12:00 1:00 10:00 11:00 12:08 1:00 2:00

INSTRUCTIONS

The bus stops at this location at listed times. Look for the column of times below the matching symbol in the schedule.

Only certain trips operate along this portion of the route. See the schedule for trips that provide service here.

The bus operates express along this portion of the route.

Transfer point. Shows where this bus intersects with other routes that are available for transfer.

The bus stops at the times listed below the numbered symbol. Light times are A.M.; boid times are P.M.

The limetable shows when the bus is scheduled to depart.

Actual departure times may vary and depend upon traffic and weather conditions.

Arrive at the bus stop about 10 minutes early to avoid missing the bus.

Large print schedules are available upon request. Visit us at www.maiatransit.com

### ##################################	Horth End Terminal 444 N. Main Street	American Way Transit Contar 3921 American Way	Airways Transit Center 3033 Airways Boulevard	MATA INFORMATION
(901) 772-7100 (901) 274-8282 (901) 823-8134 (901) 522-9175 (901) 577-2840 (901) 577-277	(901) 523-8134	(901) 722-0322	(901)722-7080	ITION

31-Usy puress hathes

Subject Laby Februss \$2.75 Subject 7-Day Februss \$40.00 Subject 31-Day Februss \$40.00 Senior/Disabled* Daily Februss \$1.75 Senior/Disabled 1-Day Februss \$3.00 Senior/Disabled 31-Day Februss \$25.00 Senior/Disabled 31-Day Februss \$30.00 Senior/Disabled 31-Day Februss \$30.00 Senior Day Februss \$30.00	MUTH-RINE PASSES \$3.50
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ZOME: 1 FARS Base Fare Plus Additional Zone Fare... See Route Map for Zone Boundaries) Seniors & Individuals w/Disabilities + \$9.85

inpress Base Fare...

MATA ID REQUIRED.





Effective 09/22/13

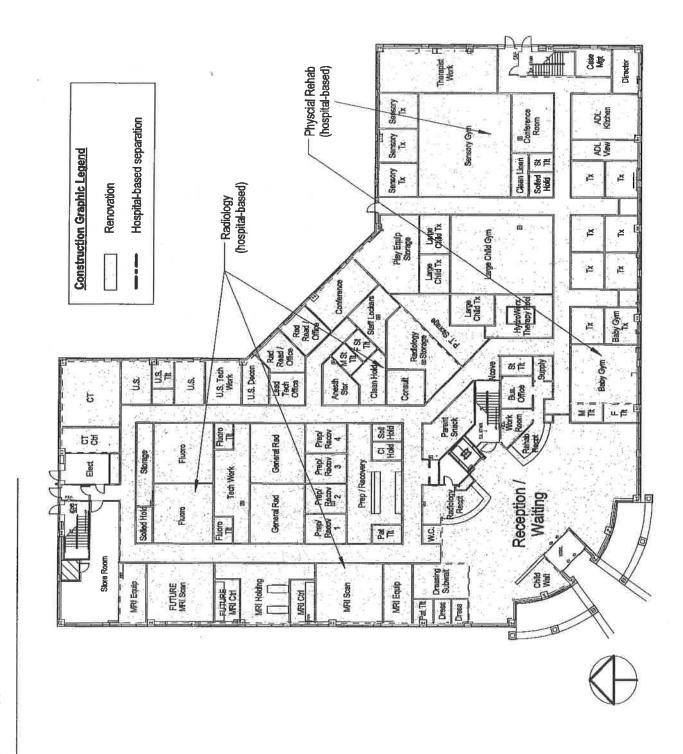
MATA FARES

B: IV Floor Plans

100 Humphreys Blvd - Memphis TN

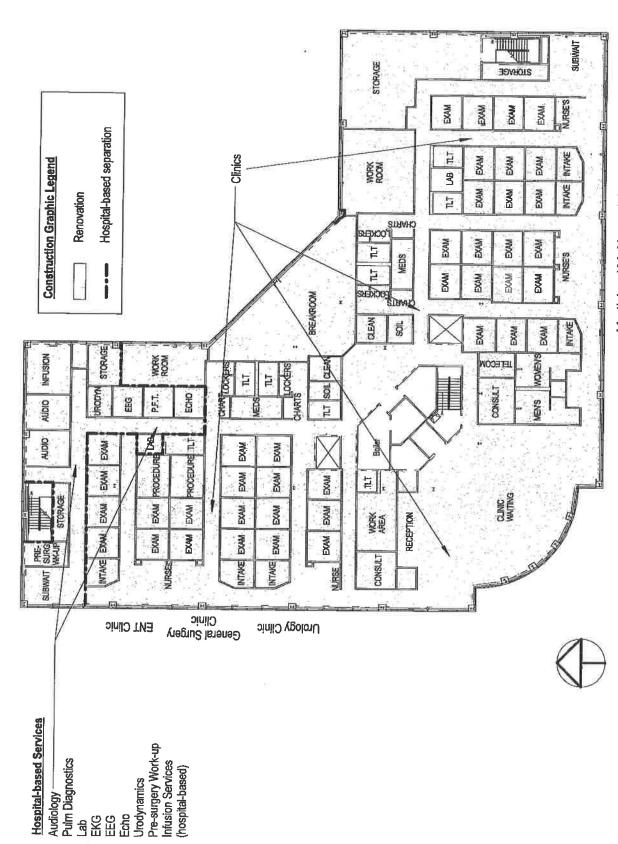
11/04/13

1st Floor C.O.N. Plan



100 Humphreys Blvd - Memphis TN

11/04/13



Medicine / Multi-specialty

|∂দুগু-্র§healthcare

C: MRI Services (7)(d)
Outpatient Diagnostic
Services System Policy

	THIS	REPLACES
86 INDEX	S-05-051	
REVISED	04/03/06	01/10/06
EFFECTIVE	01/01/01	
PAGE	1 of 2	

SYSTEM POLICY

ORIGINATOR:

Administration

SUBJECT:

Outpatient Orders for Diagnostic Services

PURPOSE:

To establish guidelines under which the medical staff can order outpatient, non-surgical services in a Methodist Healthcare facility.

FUNCTIONS AFFECTED:

Patient Access Services (including Scheduling, Patient Registration, Outpatient Care Center), all ancillary service areas, Health Information Management (outpatient record department) and Utilization Review.

POLICY:

Methodist Healthcare recognizes that federal legislation placed an affirmative duty on Hospitals and Physicians to document authorization and medical necessity for outpatient diagnostic services. Failure to abide by CMS regulations has serious penalties for providers of healthcare, including the possibility of personal liability for those who do not properly document and code.

All functions affected must work with Medical staff members and referring physicians to ensure that the following guidelines are met prior to procedures being performed:

- All requests for diagnostic outpatient services (i.e. any test, procedure, treatment or other service) must be accompanied by a written, signed and dated Physician order. A Physician or a Nurse Practitioner may submit this signed order. Rubber stamp signatures are not acceptable. In the case of recurrent care outpatient encounters, one order will be valid for 6 months as long as the physician name, treatment regimen and medical necessity documentation remains unchanged.
- Patients arriving for an outpatient diagnostic service for whom an order has not been sent to Patient Access or the ancillary department prior to the patients' arrival, will be asked to wait or be rescheduled until the order is received by facsimile or other appropriate means.

In order to ensure compliance for our coding and billing functions, this policy will be followed for all payer groups (not just our Medicare patient population).

C: MRI Services (7)(e)
ACR Accreditation



American College of Radiology

Magnetic Resonance Imaging Services of

LeBonheur Children's Hospital

848 Adams Memphis, Tennessee 38103

were surveyed by the Committee on MRI Accreditation of the Commission on Quality and Safety

The following magnet was approved

General Electric EXCITE HDX 2007

For

Head, Spine, Body, MSK

Accredited from:

September 12, 2013 through June 24, 2016

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Allen L. Clember un

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

MRAP# 52601-02



American College of Radiology

Magnetic Resonance Imaging Services of

LeBonheur Children's Hospital

848 Adams Memphis, Tennessee 38103

were surveyed by the Committee on MRI Accreditation of the Commission on Quality and Safety

The following magnet was approved

General Electric SIGNA EXCITE HDX 1.5

2010

For

Head, Spine, Body, MSK, Cardiac

Accredited from:

June 24, 2013 through June 24, 2016

tectory of Sculer, nu. h.

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

MRAP# 52601-01

C: MRI Services (7)(g) Medical Director CV

Curriculum Vitae (as of 11/01/13)

Harris L. Cohen M.D., F.A.C.R.

Address: 5639 Ashley Square S

Memphis, TN 38120-2470

Phone: (516) 382-6191

Birthdate: 9/18/51

Married (wife: Sandra W. Cohen MD) with 3 children

Education: Stuyvesant High School (9/65-6/69) Academic (Honors) -- 1969

C.U.N.Y.-Brooklyn College (9/69-6/72), BA (Chemistry) (cum laude) -1973

B.C.-Downstate 7 Year BA-MD Program

Medical Education: S.U.N.Y.-Downstate Medical Center (9/72-6/76) MD - 1976

Postgraduate Education:

PGY-1: Nassau County Medical Center, Internal Medicine 7/76-6/77

PGY-2-4: SUNY-Downstate, Diagnostic Radiology 7/77-6/80

PGY-5: Childrens' Hospital-National Medical Center (Washington, D.C.)

Diagnostic Radiology Fellow 7/80-6/81

Current Position:

University of Tennessee (UT) Health Science Center and LeBonheur Children's Medical Center

7/09- : Chairman, University of Tennessee, Department of Radiology

11/08-6/09: Executive Vice Chairman UT Department of Radiology

11/08- : Medical Director of Radiology, LeBonheur Children's Hospital

4/09- : Director, Pediatric Radiology Fellowship Program (accredited) 1/13- : Radiologist-in-Chief, ULPS (LeBonheur Children's Hospital)

Employment History [Departments of Radiology]:

SUNY-Health Science Center at Stony Brook

2/02-10/08: Vice Chairman (Research Affairs)/Associate Chairman

11/02-10/08: Director, Division CT, US, MR (Body Imaging)

2/02-10/08: Chief, Diagnostic Ultrasound section

2/02-10/08: Chief, Pediatric Body Imaging

7/03-10/08: Director, Abdominal Imaging (Body Imaging) Fellowship Program (original and subsequent accreditation)

Johns Hopkins Medical Institutions

7/00-1/02: Director, Division of Pediatric Imaging

7/00-now: Visiting Professor of Radiology

7/00-1/02: Director, Pediatric Radiology Residency Program [Fellowship Program

(accredited)]

SUNY-Health Science Center at Brooklyn (a/k/a SUNY-Downstate) [2/93-6/00]

University Hospital of Brooklyn (UHB) & Kings County Hospital (KCHC)

2/93-6/00: Director, Division of Ultrasound- UHB & KCHC

2/93-6/00: Associate Director (for Academic Affairs) Department of Radiology-KCHC

6/94-now: Medical Director/Advisor, Diagnostic Ultrasound Program, College of Health Related Professions, SUNY Health Science Center at Brooklyn

11/98-6/99: Associate Chairman (for Clinical Research) Department of Radiology

6/99-6/00: Vice Chairman for Academic Affairs and Clinical Research

6/99-6/00: Co-Director, Division of Pediatric Radiology

North Shore University Hospital-Cornell University Medical College [10/88-1/93]

10/88-1/93: Associate Chief-Division of Ultrasound/CT/MR

10/89-1/93: Physician-in-Charge, Pediatric Ultrasound/CT

1/91- 1/93: Associate Attending Radiologist

SUNY-Health Science Center at Brooklyn, University Hospital of Brooklyn (UHB)

& Kings County Hospital (KCHC) a/k/a SUNY-Downstate [8/85-10/88]

8/85-10/88: Active Attending Physician-KCHC

8/85-10/88: Medical Director: Radiologic Science & Technology Program-

SUNY Health Science Center at Brooklyn

8/85/10/88: Director-Division of Ultrasound-SUNY/KCH

Brookdale Hospital Medical Center [7/81-8/85] a/k/a Brookdale University Hospital

7/81-1/84: Assistant Attending Radiologist

1/84-8/85: Assistant Physician-in-Charge Diagnostic Imaging (CT & Ultrasound)

1/84-1/89: Associate Attending Radiologist

1/86-1/89: Consultant in Pediatric Imaging-dual appointment [Radiology & Pediatrics]

1/89-now: Consultant in Pediatric Radiology and Ultrasound [Radiology]

Academic Appointments:

7/77 - 6/80: Assistant Instructor (Radiology) SUNY-Downstate

7/81 - 8/85: Clinical Assistant Professor (Radiology) SUNY-Downstate

8/85 - 10/88: Assistant Professor (Clinical Radiology) SUNY-HSC/B

10/88-1/93: Associate Professor (Radiology) Cornell University Med College

2/93 - 5/96: Professor (Clinical Radiology) SUNY-HSC/Brooklyn

5/96 - 7/01: Professor of Radiology with Tenure - SUNY-Downstate

7/00 - now: Professor of Radiology (Visiting)- Johns Hopkins University SOM

5/02 – now: Professor of Radiology with Tenure- SUNY-Stony Brook 9/08-present: Professor of Radiology Emeritus- SUNY-Stony Brook

11/08-present: Professor of Radiology, Obstetrics and Pediatrics- Univ of Tennessee

6/10-present Professor of Radiology with Tenure-Univ of Tennessee HSC

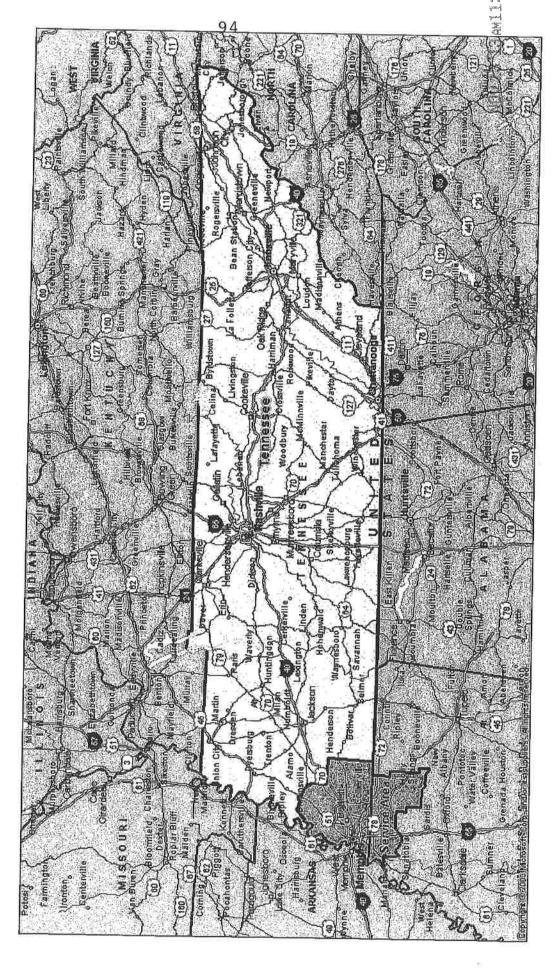
Board Certifications:

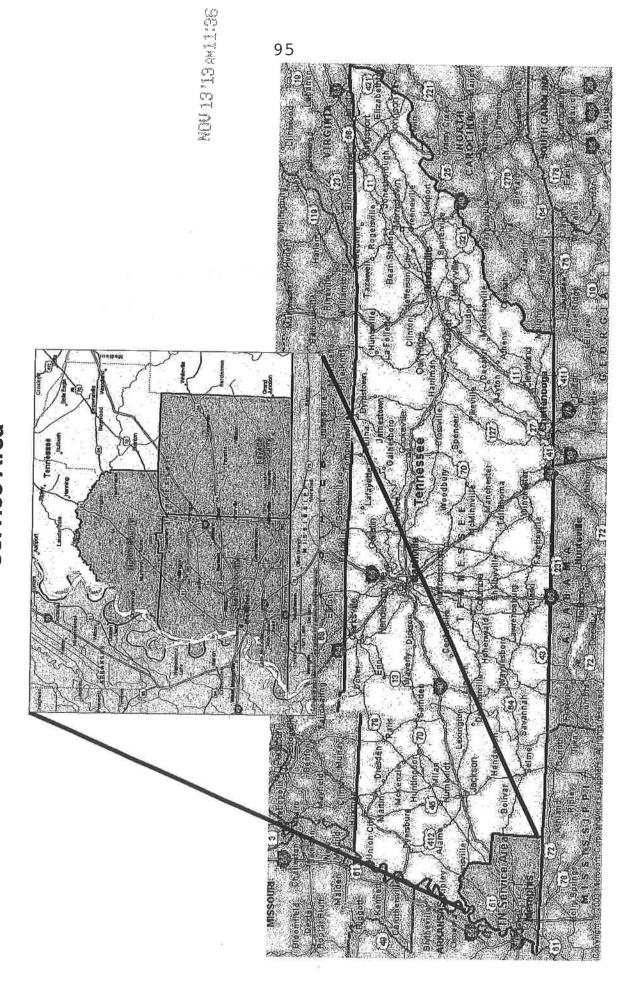
National Board of Medical Examiners-1977

American Board of Radiology (ABR)-----1980

C: Need (3) Service Area Map

Le Bonheur Children's Hospital Primary Service Area





C: Economic Feasibility (1)(c)
Moveable Equipment Listing >\$50,000

MOVEABLE EQUIPMENT LIST > \$50,000

ITEM DESCRIPTION	TOTAL
MRI	\$1,427,825
СТ	\$800,000
Digital X-Ray System	\$505,260
Digital Rad Room	\$485,000
Ultrasound Machine	\$200,000
Patient Monitor	\$92,300
Urodynamics System	\$88,000
Anesthesia Machine	\$78,000
Dual IV Pump	\$64,000

C: Economic Feasibility (1)(d) Documentation of Construction Cost Estimate

November 11, 2013

Ms. Meri Armour Chief Executive Officer Le Bonheur Children's Hospital 50 N. Dunlap Street Memphis, TN 38103

RE: VERIFICATION OF CONSTRUCTION COST ESTIMATE -LE BONHEUR OUTPATIENT CENTER, MEMPHIS, TENNESSEE

Dear Ms. Armour:

We have reviewed the construction cost estimates and descriptions for the project in the CON packet and compared them to typical construction costs we have experienced in the Mid South region for healthcare construction.

It is brg3s's opinion, that in today's dollar the projected \$4.9 million construction budget is consistent with the cost value for this type of construction and similar projects in this market. The budget includes \$3.9 million for construction, \$0.08 million for site work, \$0.5 million for design/ A&E fees and \$0.4 million for contingency. While specific finish choices and market conditions can greatly affect the cost of any project, the costs assumed in the estimate appear adequate for mid range finishes used in a healthcare environment for the scope of work for the Le Bonheur Outpatient Center.

In providing opinions of probable construction cost, the Client understands the Consultant has no control over the cost or availability of labor, equipment or material, or over market conditions or the Contractor's method of pricing and that the Consultant's opinions of probable construction costs are made on the basis of the Consultants professional judgment and experience. The consultant makes no warranty, express or implied, that the bids or the negotiated cost of the work will not vary from the Consultant's opinion of probable construction cost.

This facility includes MRI and CT and will be designed in accordance with all applicable federal and state standards, regulations and guidelines, licensing agency requirements and with equipment manufacturer's specifications at the proposed location of the Le Bonheur Outpatient Center, Humphreys Blvd, Memphis, TN.

Please do not hesitate to contact us if you require any additional information.

Sincerely,

brg3s

Jon R. Summers, AIA

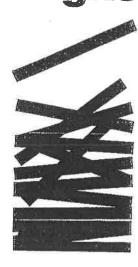
Principal

11 W. Huling Avenue Memphis, Tennessee 38103

901.260.9600

901.531.8042

brg3s.com



C: Economic Feasibility (2)

Documentation of

Availability of Funding



November 7, 2013

Melanie Hill Executive Director Tennessee Health Facilities Commission Andrew Jackson State Office Building 500 Deaderick Street, Suite 850 Nashville, TN 37243

Dear Ms. Hill:

This is to certify that Methodist Healthcare – Memphis Hospitals has adequate financial resources for the Le Bonheur Children's Hospital Pediatric Outpatient Center project. The applicant, Methodist Healthcare—Memphis Hospitals, is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in multiple other healthcare facilities of several types in West Tennessee and North Mississippi. Cash is held at the corporate level. Methodist Healthcare has available cash balances to commit to this project. The capital cost of the project is estimated at \$26,798,857.

Sincerely,

Chris McLean

Senior Vice President Finance

wrife

C: Economic Feasibility (4)
Detail of Other Revenue and Expense

Defining "Other" categories

Other Operating Revenue:

Cafeteria

Drugs

Telephone rental Vending

Office Rental

Ground Transportation

Fix Wing Grants

United Way Grants

Misc. Income

Other Expenses:

Benefits

Repairs and Maintenance

Professional Fees Contract Services

Accounting/Auditing Fees Legal/Consulting Fee

Advertising

Dues and Subscriptions

Education/ Travel

Utilities
Insurance
Food services
Laundry Services
Print Shop

Print Shop
Telephone
Transcription
Academic Support
Contributions

License/Accredidations Fees

Postage/Freight
Procurement Card Exp

Other Revenue/Expenses:

Capital Campaign Funding

Interest Income

Gain/Loss on Disposal of PPE

Project Data Chart

Other Operating Revenue:

Cafeteria Drugs Gift Shop Telephone Vending Shared Svc

Tuition/Student Fees

Office Rentals

Parking

340b Program HealthSouth Trauma Fund Rental Income

Transp (ground & fixed wing)

Gamma Knife

Grants Other C: Economic Feasibility (10) Financial Statements

Methodist Le Bonheur Healthcare Balance Sheet	Economic Feasibility 10
September 2013	
(in thousands)	
ASSETS:	
CURRENT ASSETS: CASH & TEMPORARY INVESTMENTS:	
UNRESTRICTED	707 245
RESTRICTED	787,315
TOTAL CASH & TEMPORARY INVESTMENTS	14,523
TOTAL GASH & TEMPORARY INVESTMENTS	801,838
ACCOUNTS RECEIVABLE;	
PATIENT	725,690
ALLOW DETFUL ACCTS & CONTR ADJ	518,371
NET PATIENT ACCOUNTS RECEIVABLE	207,319
MEDICARE / MEDICAID PROGRAMS	:=:
AFFILIATES	1 2 1
PLEDGE CAMPAIGN	2,602
OTHER	15,403
TOTAL ACCOUNTS RECEIVABLE	225,324
TO THE AGGOON OF ALGERVANIE	220,324
INVENTORIES	24,500
PREPAID EXP & OTHER CURRENT ASSETS	9,397
ASSETS LIMITED TO USE-CURRENT PORTION	<u> </u>
TOTAL CURRENT ASSETS	1,061,950
ASSETS LIMIT TO USE-LESS CURR PORTION	39,611
PROPERTY PLANT & EQUIPMENT-NET	876,763
UNAMORTIZED DEBT ISSUE COSTS	12,933
SWAPS MARKET VALUE	0
ADVANCES TO AFFILIATES	0
PLEDGE CAMPAIGN-LONG TERM	3,959
OTHER ASSETS	40,501
OTAL ASSETS	2,035,717
IABILITIES AND NET ASSETS:	
CURRENT LIABILITIES:	
ACCOUNTS PAYABLE	60,704
ACCRUED PAYROLL & PAYROLL TAXES	22,048
ACCRUED PTO ACCRUED SELF INSURANCE COSTS	33,856
ACCRUED INTEREST	19,373 4,323
OTHER ACCRUED EXPENSES	5,900
MEDICARE / MEDICAID PROGRAMS	7777
AFFILIATES LONG TERM DEBT-CURRENT PORTION	0 1 56 76
OTAL CURRENT LIABILITIES	169,657
LONG TERM DEBT LESS CURRENT PORTION	584.805
ACCRUED PENSION LIABILITY	186,136
HPL LONG TERM RESERVE	18,658
SWAPS MARKET VALUE	55,792
OTHER LONG TERM LIABILITIES ADVANCES FROM AFFILIATES	6,466
MINORITY INTEREST	0 4, 6 04
OTAL LIABILITIES	1,026,118
ET ASSETS:	(S
UNRESTRICTED TEMPORARII V RESTRICTED	987,689
TEMPORARILY RESTRICTED	18,482
PERMANENTLY RESTRICTED	3,428
ATAL MET ACCETS	
OTAL NET ASSETS	1,009,599

Methodist Healthcare - Memphis Hospitals
Income Statement
Period Ended September 2013
(\$000's)

Economic Feasibilty - 10

86,780

Revenues

Net Income

Gross patient service revenues Deductions from revenue Net patient service revenues	\$	3,868,386 2,824,440 1,043,946
Other Operating Revenue Other Non-Operating Revenue		31,782 886
Total revenues		1,076,614
Expenses		
Salaries and benefits Supplies and other Depreciation and amortization Interest Total expenses	_	419,043 518,416 54,791 (2,416) 989,834



METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP Suite 900 50 North Front Street Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Methodist Le Bonheur Healthcare:

Report on the Financial Statements

We have audited the accompanying combined financial statements of Methodist Le Bonheur Healthcare and Affiliates (the System), which comprise the combined balance sheets as of December 31, 2012 and 2011, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the combined financial statements referred to above present fairly in all material respects, the financial position of Methodist Le Bonheur Healthcare and Affiliates as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Memphis, Tennessee April 26, 2013

Combined Balance Sheets

December 31, 2012 and 2011

(In thousands)

Assets		2012	2011
Current assets: Cash and cash equivalents Investments Net patient accounts receivable Due from third-party payors Other current assets Assets limited as to use – current portion	\$	71,677 746,608 190,102 — 49,373 682	71,558 569,779 170,705 523 45,013 897
Total current assets	tt==	1,058,442	858,475
Assets limited as to use, less current portion Property and equipment, net Other assets Total assets		40,616 821,718 54,956 1,975,732	40,754 808,006 58,613 1,765,848
Liabilities and Net Assets			1,700,010
Current liabilities: Accounts payable Accrued expenses and other current liabilities Due to third-party payors Long-term debt – current portion	\$.	57,829 91,583 17,903 15,658	58,581 85,280 — 18,849
Total current liabilities	R	182,973	162,710
Long-term debt, less current portion Estimated professional and general liability costs Accrued pension cost Other long-term liabilities		600,833 25,081 197,608 88,743	515,322 25,392 190,519 92,448
Total liabilities		1,095,238	986,391
Net assets: Unrestricted Temporarily restricted Permanently restricted		852,139 20,282 3,351	751,126 20,081 3,004
Total net assets attributable to Methodist Le Bonheur Healthcare		875,772	774,211
Noncontrolling interests		4,722	5,246
Total net assets		880,494	779,457
Commitments and contingencies			
Total liabilities and net assets	\$	1,975,732	1,765,848

Combined Statements of Operations

Years ended December 31, 2012 and 2011

(In thousands)

	_	2012	2011
Unrestricted revenues and other support: Net patient service revenue Provision for uncollectible accounts	\$	1,562,285 (135,201)	1,356,646 (109,570)
Net patient service revenue less provision for uncollectible accounts Other revenue Net assets released from restrictions used for operations		1,427,084 55,200 13,012	1,247,076 30,639 9,055
Total unrestricted revenues and other support	_	1,495,296	1,286,770
Expenses: Salaries and benefits Supplies and other Depreciation and amortization Interest Total expenses	-	724,897 599,393 85,345 27,287 1,436,922	662,305 473,492 85,282 25,586 1,246,665
Operating income		58,374	40,105
Nonoperating gains (losses): Investment income, net Change in fair value of interest rate swaps Unrealized gain (loss) on trading securities, net Impairment of land Impairment of goodwill		24,012 3,798 37,984 (332) (928)	36,271 (38,084) (27,261) — (3,800)
Total nonoperating gains (losses), net	_	64,534	(32,874)
Revenues, gains and other support in excess of expenses and losses, before noncontrolling interests		122,908	7,231
Noncontrolling interests		(1,424)	(382)
Revenues, gains and other support in excess of expenses and losses		121,484	6,849
Other changes in unrestricted net assets: Accrued pension cost adjustments Other		(22,289) (68)	(85,813)
Net assets released from restrictions used for capital purposes	_	1,886	2,895
Increase (decrease) in unrestricted net assets	\$ =	101,013	(76,069)

Combined Statements of Changes in Net Assets Years ended December 31, 2012 and 2011 (In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Noncontrolling interests	Total
Balances at December 31, 2010	\$ 827,195	22,743	2,840	7,068	859,846
Revenues, gains and other support in excess of expenses and losses	6,849		,	,	
Distributions to minority shareholders	0,049	3-3		382	7,231
Accrued pension cost adjustments	(85,813)	-		(2,204)	(2,204)
Donor-restricted gifts, grants, and bequests	(65,615)	9-116	164	_	(85,813)
Investment income, net		172	104		9,280
Net assets released from restrictions used	_	172		_	172
for operations Net assets released from restrictions used for	-	(9,055)	-	_	(9,055)
capital purposes	2,895	(2,895)			_
Change in net assets	(76,069)	(2,662)	164	(1,822)	(80,389)
Balances at December 31, 2011	751,126	20,081	3,004	5,246	779,457
Revenues, gains and other support in excess of				•	.,,,,,,,
expenses and losses	121,484	-	_	1,424	122,908
Distributions to minority shareholders	-	-		(1,948)	(1,948)
Accrued pension cost adjustments	(22,289)	 5		(4,7.0)	(22,289)
Other	(68)	-			(68)
Donor-restricted gifts, grants, and bequests	<u></u> i	14,502	347		14,849
Investment income, net	==30	597	_	_	597
Net assets released from restrictions used					331
for operations		(13,012)		-	(13,012)
Net assets released from restrictions used for capital purposes	1,886	(1,886)		_	_
Change in net assets	101,013	201	347	(524)	101,037
Balances at December 31, 2012	\$ 852,139	20,282	3,351	4,722	880,494

Combined Statements of Cash Flows

Years ended December 31, 2012 and 2011

(In thousands)

		2012	2011
Cash flows from operating activities:			
Change in net assets	\$	101,037	(80,389)
Adjustments to reconcile change in net assets to net cash provided by		•	(,,
operating activities, net of effects of acquisitions:			
Depreciation and amortization		85,345	85,282
Unrealized (gain) loss on trading securities, net		(37,984)	27,261
Change in fair value of interest rate swaps		(3,798)	38,084
Provision for uncollectible accounts		135,201	109,570
Restricted contributions and investment income		(1,117)	(1,184)
Equity in net income of equity investees		1,401	(163)
Impairment of land		332	17-76
Impairment of goodwill		928	3,800
Gain on disposal of property and equipment		(70)	(99)
Accrued pension cost adjustments		22,289	85,813
Changes in operating assets and liabilities:			•
Accounts receivable		(154,598)	(112,742)
Other current assets and due from third-party payors		(3,835)	(4,056)
Other assets		1,336	(3,534)
Accounts payable, accrued expenses and due to third-party payors		23,454	(7,445)
Other long-term liabilities, estimated professional and			
general liability costs and accrued pension costs	_	(15,418)	(31,315)
Net cash provided by operating activities	_	154,503	108,883
Cash flows from investing activities:			
Capital expenditures		(98,812)	(73,344)
Proceeds from sales of property and equipment		253	561
Sales of investments		1,665,243	1,237,632
Purchases of investments		(1,803,922)	(1,269,685)
Change in assets limited as to use		237	(187)
Purchase of businesses	_	(74)	(2,389)
Net cash used in investing activities		(237,075)	(107,412)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		100,500	128
Repayment of long-term debt		(18,926)	
Restricted contributions and investment income		1,117	(16,028) 1,184
Net cash provided by (used in) financing activities	_	THE PART OF THE PA	
	_	82,691	(14,716)
Net increase (decrease) in cash and cash equivalents		119	(13,245)
Cash and cash equivalents at beginning of year	_	71,558	84,803
Cash and cash equivalents at end of year .	\$	71,677	71,558

C: Orderly Development (1)
List of Managed Care Contracts

vantage)

pan)

The Health Consumer Right-to-Know Act of 1998 which was signed by Governor Sunquist in May, 1998 requires hospitals to report to the Department of Health "health care plans accepted by the hospital" as well as a variety of information that is included in earlier schedules all health insurance plans with which you currently - as of the last day of this reporting period - have a valid contract. List each plan separately not just the name of the company. For example, if you have contracts to provide services to individuals enrolled in Blue Choice and Blue Preferred, list both plans and do not only list Blue Cross & Blue Shield of Tennessee. of the Joint Annual Report. In order to allow the Joint Annual Report to meet the entire reporting requirement described in this act, please list

Jane

Ace Pump	Memnhis Business Group on Health
American Healthcare Alliance	Mississipal Administrative Services Inc
Americraft Carton/Western Container	Multiplan, inc. (PHCS ws purchased by Multip
Arkansas Managed Care Organization (AMCO)	NovaSys Health Network
Assurant Health	Planned Administrators, Inc.
Beech Street Corporation	PPO USA
City of Dyersburg	Resource One Administrators
City of Germantown	Seabrook Wall Coverings, Inc.
Crittenden Regional Hospital	United Healthcare of Tennessee, Inc.
Langston Companies, Inc.	USA Managed Care Organization
Municipal Health Benefit Fund	V. Alexander & Company, Inc.
North Mississippi Health Link, Inc.	Tennessee Healthcare, LLC
North Mississippi Health Services Employee Health Plan	Blue Cross Arkansas Medi Pak (Medicare Adv
Nova Net, Inc.	HealthSpring (Medicare Advantage) HMO
Razorback Concrete Company	
Secure Horizons (Medicare Advantage)	
Sharp PHO	
Methodist Le Bonheur Healthcare	
Aetna US Healthcare	
American PPO	
BCBS of Tennessee -Blue Classic	
BCBS of Tennessee -Blue Preferred	
BCBS of Tennessee -Blue Select	
Best Doctors	
CIGNA Healthcare of Tennessee, Inc.	
Commonwealth Health Corporation d/b/a Center Care	
Community Services Network of West Tennessee, Inc.	
Coventry Health and Life Insurance Company	
Evolutions Healthcare Systems, Inc.	
Fortified Provider Network	
Galaxy Health Network	
Health Partners, Inc.	
Humana/Employer's Health	
Integritas Benefit Group	
Health Cost Solutions (formerly Williams C. Beeler & Co)	

PH-0958 (Rev. 06/12)

* Refer to Instructions for Completing JAR-H_yy

* Refer to Instructions for Completing JAR-H_yy

43 RDA 1530

PH-0958 (Rev. 06/12)

The Health Consumer Right-to-Know Act of 1998 which was signed by Governor Sunquist in May, 1998 requires hospitals to report to the Department of Health "health care plans accepted by the hospital" as well as a variety of information that is included in earlier schedules of the Joint Annual Report. In order to allow the Joint Annual Report to meet the entire reporting requirement described in this act, please list all health insurance plans with which you currently - as of the last day of this reporting period - have a valid contract. List each plan separately not just the name of the company. For example, if you have contracts to provide services to individuals enrolled in Blue Choice and Blue Preferred, list both plans and do not only list Blue Cross & Blue Shield of Tennessee.

Plans:

Ace Pump	
American Healthcare Alliance	
Americraft CartonlWestern Container	
Arkansas Managed Care Organization (AMCO)	
Assurant Health	
Beech Street Corporation	
City of Dyersburg	
Cityof Germantown	
Crittenden Regional Hospital	
Langston Companies, Inc.	
Minicipal Health Benefit Fund	
North Mississippi Health Link, Inc	
North Mississippi Health Services Employee Health Plan	
Nova Net, Inc.	
Razorback Concrete Company	
Secure Horizons (Medicare Advantage)	
Sharp PHO	
United Healthcare of Tennessee	
Blue Cross Blue Shield Tennessee - Preferred	
Blue Cross Arkansas	
Cigna -CHMO	
Cigna -Flex	
Cigna -PPO	
Methodist Le Bonheur Healthcare	
Health Scope Benefits	
AR Blue Cross MediPak (Medicare Advantage)	
HealthSprings (Medicare Advantage) HMO	
CBCA Administrators, Inc.	
Greater Missouri Educational Trust - GMET	
Health Choice PRO (Payer Requested Option) - 2006	
Hospitality Management Advisors, Inc.	
Principal Edge Network 9/1/2010	
Second Presbyterian and Christian Psychological Center	

C: Orderly Development (7)(c)
License from
Board of Licensing
Health Care Facilities

Woard for Licensing Health Care Facilities



0000000100

No. of Beds

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

to conduct and maintain a

METHODIST HEALTHCARE - MEMPHIS HOSPITALS	1265 UNION AVENUE, MEMPHIS	LBY , Gennessee.	This license shall entire SEPTEMBER 14 2014, and is subject	to the provisions of Glapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable,	and shall be subject to resocration at any time by the State Department of Health, for failure to comply with the	laws of the State of Tennessee or the rules and regulations of the State Department of Fealth issued thereunder.	In Olivess Olives, we have herewate set our hand and seal of the State this 14TH day of SEPTEMBER, 2013	19/164) 9: GENERAL HOSPITAL PEDIATRIC PRIMARY HOSPITAL
	1265 UNIC	SHELBY	license	of Glapter	ect to revoc	e of Ferm	exect, we ha	Category (4
Hospital	Docated at	County of	Office	to the provisions	and shall be subj	laws of the Flat	In Witness Mil.	In the Distinct Category/uss/ of:



DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

OMMISSIONER

C: Orderly Development (7)(d)(1)
TDH Licensure Survey and
Plan of Correction



STATE OF TENNESSEE DEPARTMENT OF HEALTH WEST TENNESSEE HEALTH CARE FACILITIES 781-B AIRWAYS BOULEVARD JACKSON, TENNESSEE 38301-3203

January 29, 2008

Ms. Peggy Troy, Administrator Methodist Healthcare Memphis Hospitals 1211 Union Avenue, Ste 700 Memphis, TN 38104

RE: Licensure Surveys

Dear Ms. Troy:

Enclosed is the statement of deficiencies for the licensure surveys completed at your facility on **January 17, 2008**. Based upon 1200-8-1, you are asked to submit an acceptable plan of correction for achieving compliance with completion dates and signature within **ten (10) days from the date of this letter.**

Please address each deficiency separately with positive and specific statements advising this office of a plan of correction that includes acceptable time schedule, which will lead to the correction of the cited deficiencies. Enter on the right side of the State Form, opposite the deficiencies, your planned action to correct the deficiencies and the expected completion date. The completion date can be no longer than 45 days from the day of survey. Before the plan can be considered "acceptable," it must be signed and dated by the administrator

Your plan of correction must contain the following:

- How the deficiency will be corrected:
- How the facility will prevent the same deficiency from recurring.
- > The date the deficiency will be corrected;
- > How ongoing compliance will be monitored.

Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

If assistance is needed, please feel free to call me at 731-421-5113.

Sincerely,

Celia Skelley, MSN, RN

Public Health Consultant Nurse 2

CS/TW

(X3) DATE SURVEY STATEMENT OF DEFICIENCIES (X1) PROVIDER/SUPPLIER/CLIA (X2) MULTIPLE CONSTRUCTION COMPLETED AND PLAN OF CORRECTION DENTIFICATION NUMBER: A. BUILDING 03 - METHODIST NORTH BUIL B. WING TNP531109 01/16/2008 STREET ADDRESS, CITY, STATE, ZIP CODE NAME OF PROVIDER OR SUPPLIER 1265 UNION AVE SUITE 700 METHODIST HEALTHCARE MEMPHIS HOSPIT MEMPHIS, TN 38104 SUMMARY STATEMENT OF DEFICIENCIES PROVIDER'S PLAN OF CORRECTION (X5) COMPLETE (EACH CORRECTIVE ACTION SHOULD BE (EACH DEFICIENCY MUST BE PRECEDED BY FULL PREFIX **PREFIX** CROSS-REFERENCED TO THE APPROPRIATE DATE REGULATORY OR LSC IDENTIFYING INFORMATION) TAG TAG DEFICIENCY) H 871 **Building Standards** H 871 1200-8-1-.08 (1) Building Standards a. Sprinkler head was repaired. (1) The hospital must be constructed, arranged, 01/23/08 A full inspection of corridor sprinkler heads and maintained to ensure the safety of the was completed on 02/06/2008 with findings patient. of 7 bent heads from a total of 278 nspected. These sprinkler heads will be eplaced by March 7th. This Rule is not met as evidenced by: Methodist North b. Door latch was replaced. Random fire door inspections will continue to 01/17/08 Based on observation, it was determined that the ensure that all fire doors are included in the facility failed to maintain all parts of the building. program and not just those that are located in the hallways at fire barriers. The findings included: c. Repaired penetration. On 1/16/08 these items were found during the 01/16/08 We believe this to be an isolated occurrence tour of the building: as no other penetrations were found. a. On the 5th floor a sprinkler head defector was Continue quarterly random penetration found bent by room 511 in the corridor. inspections and annual full building b. On the 4th floor the oxygen storage room door penetration inspections. would not close and latch. c. On the 3rd floor a penetration was found d. Changed hand rail to wall guard. around the duct above the ceiling by room 308. 01/22/08 Will inspect elevator service lobbies for best d. On the 2nd floor at the entrance of the Cath lab application of wall guard versus hand rails by the elevators the hand rail had came lose from and change as appropriate. the wall. e. On the 2nd floor the fire doors(2-FD-222) at 01/17/08 e. Door latch was repaired on the entrance of the Cath Lab did not close and Continue random fire door inspections and latch. ensure that all fire doors are included in the f. On the 2nd floor at the Cardiac Short Stay a program. hole in the wall was found behind the fire door. g. On the 1st floor in the O R Preop holding. The hole in the wall has been repaired. storage was being stored in the patient holding 01/18/08 This appeared to an isolated incident, which occurred very recently. An inspection of h. In the Newborn Instension Care has 2 of 3 every set of fire doors that are held open Emergency lights that did not work when tested. found that this was the only door with an The door to the oxygen storage room (140) did issue. not close and latch. j. The smoke detector outside the Dialysis room is approximately 12 inches from the supply vent from the air conditioner.

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

VQ4921

if continuation sheet 1 of 2

22

STATEMENT OF DEFICIENCIES (X1) PROVIDER/SUPPLIER/CLIA AND PLAN OF CORRECTION (X2) MULTIPLE CONSTRUCTION (X3) DATE SURVEY IDENTIFICATION NUMBER: COMPLETED A. BUILDING 03 - METHODIST NORTH BUIL B. WING TNP531109 NAME OF PROVIDER OR SUPPLIER 01/16/2008 STREET ADDRESS, CITY, STATE, ZIP CODE METHODIST HEALTHCARE MEMPHIS HOSPIT 1265 UNION AVE SUITE 700 MEMPHIS, TN 38104 (X4) ID SUMMARY STATEMENT OF DEFICIENCIES PREFIX (EACH DEFICIENCY MUST BE PRECEDED BY FULL PROVIDER'S PLAN OF CORRECTION (X5) COMPLETE TAG REGULATORY OR LSC IDENTIFYING INFORMATION) PREFIX (EACH CORRECTIVE ACTION SHOULD BE TAG CROSS-REFERENCED TO THE APPROPRIATE DATE DEFICIENCY) H 871 Continued From page 1 H 871 Continued from page 1 k. In the basement 3 tables, a screen and a small metal cart are sitting in the corridor of the medical g. Supplies were immediately removed during 01/16/08 the survey. records. Unannounced random inspections will be conducted and documented by Safety / Facilities Services at least monthly in this Methodist South, No Deficiencies area to ensure compliance for the next 3 months. Any deficiencies will be immediately Methodist University Hospital, No Deficiencies corrected and in-service training will be immediately provided to department Methodist Grmantown Hospital, No Deficiencies personnel Methodist Behavioral Health Hospital, No h. Emergency lights were replaced . 01/21/08 **Deficiencies** Testing of the battery powered lights will occur on a monthly basis. Methodist Lebonheur Childrens Hospital, No **Deficiencies** Door latch was replaced. Continue random fire door inspections and 01/17008 ensure that all fire doors are included in the program and not just those that are located in the hallways at fire barriers. j. Smoke detector was immediately moved on 01/16/08 the day of the inspection, As we find smoke detectors within 3 feet of a supply / return diffusers, we will move them. We aware of this requirement for all new construction / renovations and will enforce compliance. k. All items were immediately removed from 01/16/08 the corridor during the inspection. Unannounced random inspections will be conducted and documented by Safety / Facilities Services at least monthly in this area to ensure compliance for the next 3 months. Any deficiencies will be immediately corrected and in-service training will be immediately provided to department personnel. Division of Health Care Facilities TATE FORM

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VQ4921

If continuation sheet 2 of 2

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AND PLAN OF (CORRECTION	A BUILDING		G	(X3) DATE SUR COMPLETE			
IAME OF BROW	(IDED OD 6) IDE	TNP531109					H7/0000	
				ADDRESS, CITY, STATE, ZIP CODE 01/17/20				
METHODIST		IEMPHIS HOSPIT	MEMPHIS,	ON AVE SUI TN 38104	TE 700			
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(9) (b) servite the service service and reservice and rese	The hospital muve as the food are responsibility for dietary services. Vices director shall a dietitian; or A graduate of a distant training prosportion, approved ociation; or A graduate of a stant training prosportion in food services as a food in care institution fied dietitian. Rule is not met and on review of the act, of licensure rand interviews it was to meet licensure for the fact, of licensure rand interviews it was to meet licensure for the services of the these State Hospital and in the care institution of 5 facility Food and 3) under the these State Hospital and in the care included: View of the hospital article 4 - Compoundiance. [The	ist designate a perso nd dietetic services di r the daily managem The food and dieteti	dietetic ce or etetic e that sroom has a m a	OSM MH The Poly of Sp.	asic Hospital Functions ualified Interim Food and ervices Director has bee ethodist Le Bonheur Chi edical Center, Methodist ospital and Methodist So ne Food and Nutrition Se rector job description ha vised to require one of the a dietician; or a graduate of a dietetic dietetic assistant training respondence or classro proved by the American sociation; or a graduate of a state-ap urse that provided ninety are hours of classroom in diservice supervision an perience as a food service provisor in a health care of consultation from a qualitian. Indiand Nutrition Services itions have been posted ruitment will continue to manently fill the positions	d Nutrition on named for ildren's t North outh Hospital. ervices s been ne following: technician g program, om, Dietetic proved (90) or estruction in nd has be institution alified Director and	02/29/08	

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ABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE TATE FORM

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If continuation sheet 1 of 2

01/17/2008

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION

NAME OF PROVIDER OR SUPPLIER

(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:

(X2) MULTIPLE CONSTRUCTION A. BUILDING

(X3) DATE SURVEY COMPLETED

TNP531109

B. WING STREET ADDRESS, CITY, STATE, ZIP CODE

METHODIST HEALTHCARE MEMPHIS HOSPIT

1265 UNION AVE SUITE 700

METHO	DIST HEALTHCARE MEMPHIS HOSPIT	MEMPHIS,	N AVE SU TN 38104	1 1	
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FU REGULATORY OR LSC IDENTIFYING INFORMATION	JLL ON)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 732	Continued From page 1		H 732	Continued from page 1	
	company] and the System agree to comply all applicable laws, rules and regulations". 2. Review of personnel files for the Food Services Directors at Facilities 1, 2 and 3, to show they met the licensure regulations food service director. During an interview on 1/14/08, at 10:30 AN Food Service Director for Facility #1 confirm he/she did not have the qualifications to me licensure regulation. During an interview on 1/15/08, at 9:30 AM, Food Service Director for Facility #2 confirm he/she did not have the qualifications to me licensure regulation. During an interview on 1/16/08, at 1:30 PM, Hospital Clinical Risk Management Director unable to provide documentation that the Foservice Directors from Facility 1, 2 or 3 met Licensure Regulations.	failed for a M, the ned set the ned set the the the the was		A check off sheet will be utilized to ensure that before an individual is offered a position as Food and Nutrition Director at any facility in Methodist Le Bonheur Healthcare, the above qualifications are met and one of the following is provided to the HR Recruiter and/or Regional Director of Operations: 1) Copy of CDR Registered Dietitian card, or 2) Copy of CDR Registered Dietetic Technician card, or 3) Copy of certificate of graduation from a state approved CDM class. There will be three (3) required levels of approval for each candidate that is chosen for the food and dietetic services director position at Methodist Le Bonheur Healthcare: 1) Regional Director of Operations with Morrison 2) Regional Vice President with Morrison 3) Methodist Le Bonheur Healthcare Facility Administrative Liaison or the Methodist Le Bonheur Healthcare Facility Human Resource Director. The dietary department will be included in the quarterly Human Resource Department audit. The facility liaison Director at each facility will review the tersonnel files on an annual basis and t time of new hire.	

Division

STATE FORM

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If continuation sheet 2 of 2

C: Orderly Development (7)(d)(2)
Joint Commission Accreditation and
Survey Summary

Methodist Healthcare Memphis Hospitals

Memphis, TN

has been Accredited by



The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

April 20, 2013

Accreditation is customarily valid for up to 36 months.

Rebeccadi. Patchin, MD.
Chair, Board of Commissioners

Organization ID #: 7874

Print/Reprint Date: 06/19/13

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.











This reproduction of the original accreditation certificate has been issued for use in regulatory/payer agency verification of accreditation by The Joint Commission. Please consult Quality Check on The Joint Commission's website to confirm the organization's current accreditation status and for a listing of the organization's locations of care.



June 11, 2013

Re: # 7874

CCN: #440049

Program: Hospital

Accreditation Expiration Date: April 20, 2016

Gary S. Shorb President/CEO Methodist Healthcare Memphis Hospitals 1211 Union Avenue Memphis, Tennessee 38104

Dear Mr. Shorb:

This letter confirms that your April 15, 2013 - April 19, 2013 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on June 03, 2013 and June 04, 2013, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of April 20, 2013. We congratulate you on your effective resolution of these deficiencies.

§482.11 Compliance with Federal, State and Local Laws

§482.13 Patient's Rights

§482.25 Pharmaceutical Services

§482.41 Physical Environment

§482.51 Surgical Services

The Joint Commission is also recommending your organization for continued Medicare certification effective April 20, 2013. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

Breast Diagnostic Center - Germantown 7945 Wolf River Blvd., Germantown, TN, 38138

Cardiovascular Outpatient Diagnostic Center 7460 Wolf River Blvd., Germantown, TN, 38138

www.jointcommission.org

Headquarters

One Renaissance Boulevard Oakbrook Terrace, IL 60181 630 792 5000 Voice



Le Bonheur Children's Hospital 848 Adams, Memphis, TN, 38103

Le Bonheur Children's Hospital Audiology 7945 Wolf River Blvd., Germantown, TN, 38138

Le Bonheur Cordova Urgent Care 8035 Club Parkway, Cordova, TN, 38018

Le Bonheur East Diagnostic Center 806 Estate Place, Memphis, TN, 38120

Le Bonheur Urgent Care at Hacks Cross 8071 Winchester Rd., Ste. 2, Memphis, TN, 38125

Le Bonheur Urgent Care East 806 Estate Place, Memphis, TN, 38120

Methodist Comprehensive Wound Healing Center 1251 Wesley Drive, Suite 107, Memphis, TN, 38116

Methodist Diagnostic Center Germantown 1377 South Germantown Rd., Germantown, TN, 38138

Methodist Germantown Radiation Oncology Center 1381 South Germantown Rd., Germantown, TN, 38138

Methodist Healthcare Outpatient Services 100 North Humphreys Blvd., Memphis, TN, 38120

Methodist Healthcare Outpatient Services 1588 Union, Memphis, TN, 38104

Methodist Healthcare Outpatient Services 240 Grandview Drive, Brighton, TN, 38011

Methodist Le Bonheur Germantown Hospital 7691 Poplar Avenue, Germantown, TN, 38138

Methodist North Hospital 3960 New Covington Pike, Memphis, TN, 38128

Methodist Sleep Disorders Center 5050 Poplar Suite 300, Memphis, TN, 38114

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181

Oakbrook Terrace, IL 60181 630 792 5000 Voice



Methodist South Hospital 1300 Wesley Drive, Memphis, TN, 38116

Methodist University Hospital 1265 Union Avenue, Memphis, TN, 38104

MHMH GI Lab - Southwind 3725 Champion Hills Drive, Memphis, TN, 38125

Midtown Diagnostic Center 1801 Union Ave, Memphis, TN, 38104

North Comprehensive Wound Healing Center 3950 New Covington Pike, Memphis, TN, 38128

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS

Mark Pelletai

Chief Operating Officer

Division of Accreditation and Certification Operations

cc:

CMS/Central Office/Survey & Certification Group/Division of Acute Care Services

CMS/Regional Office 4 /Survey and Certification Staff

C: Proof of Publication

SUBSTITUTE TRUSTERS
Sale of public suction will be
on January 7, 2014, st.
10:00AM local time, at the
worth dearly in the Country
Courthouse, Coversion.

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services for which a certificate of reed is required. The cattenand project costs are \$28,796,857. The anticipated date of filling the application is on or before fewenties 19, 2015. The centest person for this polect is. Carol. Weightenforter, Copporate Director of Hanning, Risearch and Rusinses Development, who may be reached at Nathodical Features, 1407 Lelian Assensio, 5016, 300. Mempire, TN, 35104, 301-516, 0579.

Upon written requests by interested parties: a textificating public hearing should be conducted. Written requests for hearing about the conducted. Written requests for hearing about the conducted was successful to the conducted within requests for hearing about the sense to 1502 Thearing about the Section 1502 Thearing should be sense to thought the sense of t

KITECH LLP

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SUPPORT LETTERS



Shelby County Government

MARK H. LUTTRELL, JR. MAYOR

October 16, 2013

State of Tennessee Health Services and Development Agency Frost Building, 3rd Floor 161 Rosa L. Parks Blvd. Nashville, TN 37243

To Whom It May Concern:

I am writing to express my support for Le Bonheur Children's Hospital Certificate of Need application. Their plan to open a pediatric outpatient center located on Humphreys Boulevard near Walnut Grove Road in Memphis, Tennessee will improve the health and welfare of the children who need special care.

Le Bonheur is nationally recognized as one of the nation's top children's hospitals. The new outpatient center will be the nearest provider of comprehensive pediatric services within 130 miles. Le Bonheur's main campus is located in downtown Memphis and has multiple office buildings throughout Shelby County. The new facility will provide additional capacity to serve patients in a growing area of Shelby County. Their proposal to consolidate some services into a dedicated pediatric outpatient center will benefit the patients and their families with better access to specialized pediatric care.

Residents of the entire service area, including west Tennessee, north Mississippi and east Arkansas will be served with improved access to pediatric specialty care resources.

I support this proposed new outpatient center and I am committed to working with Le Bonheur to provide quality pediatric care to all children.

Sincerely,

Mark H. Luttrell, Jr.

Mayor



A C WHARTON, JR. MAYOR

October 22, 2013

Ms. Melanie Hill, Executive Director State of Tennessee Health Services and Development Agency Frost Building, 3rd Floor 161 Rosa L. Parks Boulevard Nashville, Tennessee 37243

Dear Director Hill:

The purpose of this letter is to express my support of Le Bonheur Children's Hospital CON to open a pediatric outpatient center located on Humphreys Boulevard near Walnut Grove Road in Memphis, Tenn.

Le Bonheur is nationally recognized as one of the nation's top children's hospitals and is the only provider of tertiary and quaternary care for children within 130 miles. Currently, Le Bonheur provides services at a main campus in downtown Memphis and in multiple office buildings throughout Shelby County. They are proposing to consolidate these services into a dedicated pediatric outpatient center and add the necessary diagnostic and other support services to provide the children through the region with better access to specialized pediatric care. Residents of the entire service area, including West Tennessee, North Mississippi and East Arkansas will benefit from these pediatric services which currently have long wait times and limited points of access. Pediatric specialty care is a scarce resource and the multidisciplinary, specialized pediatric services available at the proposed center are an unduplicated resource in the area.

I support this proposed new outpatient center and am committed to working with Le Bonheur to provide quality pediatric care to all children.

Sincerely.

A C Wharton, Jr.

Mayor

DIVERSIFIED TRUST

COMPREHENSIVE WEALTH MANAGEMENT

State of Tennessee Health Services and Development Agency Frost Building, 3rd Floor 161 Rosa L Parks Blvd Nashville, TN 37243

I currently serve as Chairman of the Board of The LeBonheur Children's Hospital Foundation. The purpose of this letter is to express my support of LeBonheur Children's Hospital CON to open a pediatric outpatient center located on Humphreys Blvd near Walnut Grove Rd in Memphis, Tennessee.

LeBonheur is nationally recognized as one of the nation's top children's hospitals and is the only provider of tertiary and quaternary care for children within 130 miles. Currently, LeBonheur provides services at a main campus in downtown Memphis and in multiple office buildings throughout Shelby County. We are proposing to consolidate these services into a dedicated pediatric outpatient center and add other necessary diagnostic support services to provide the children throughout the region with better access to specialized pediatric care. Residents of the entire service area, including west Tennessee, north Mississippi, and east Arkansas will benefit from these pediatric services which currently have long wait times and limited points of access. Pediatric specialty care is a scarce resource and the multidisciplinary, specialized pediatric services available at the proposed center are an unduplicated resource in the area.

I support this proposed new outpatient center and am committed to working with LeBonheur to provide quality pediatric care to all children.

Best regards,

Larry H Bryan, Founder and Birector

Diversified Trust Company

6075 Poplar Avenue, Suite 900

Memphis, TN 38119

901.761.7979

PEDIATRIC CONSULTANTS, P.C.

GENERAL PEDIATRIC & ADOLESCENT MEDICINE :

NOEL K. FRIZZELL, M.D.
LANDON B. PENDERGRASS, M.D.
JOHN W. ELLIS, III, M.D.
VANESSA S. SEPULVEDA, M.D.
CHRISTOPHER L. MATHIS, M.D.
LEON O. LIVINGSTON, M.D.
DAWN H. SCOTT, M.D.

JARA L. BEST, M.D.
MARYBETH H. HUGGINS, M.D.
ANN C. LANKFORD, M.D.
C. BLAKE BERGERON, M.D.
KATHERINE M. ALVORD, M.D.
MARGARET H. WEST, M.D.

November 7, 2013

State of Tennessee Health Services and Development Agency Frost Building, 3rd Floor 161 Rosa L. Parks Blvd. Nashville, TN 37243

This letter is written to express my support of the Le Bonheur Children's Hospital CON to open a pediatric outpatient center located on Humphreys Boulevard near Walnut Grove Road in Memphis, Tennessee.

Le Bonheur is nationally recognized as one of the nation's top children's hospitals and is the only provider of tertiary and quaternary care for children within 130 miles. Currently, Le Bonheur provides services at a main campus in downtown Memphis and in multiple office buildings throughout Shelby County. They are proposing to consolidate these services into a dedicated pediatric outpatient center and add the necessary diagnostic and other support services so that children throughout the region will have better access to specialized pediatric care. Residents of the entire service area, including west Tennessee, north Mississippi, and east Arkansas will benefit from these pediatric services which currently have long wait times and limited points of access. Pediatric specialty care is a scarce resource and the multidisciplinary, specialized pediatric services available at the proposed center are an unduplicated resource in the area.

Because I have a general pediatric office near the proposed outpatient center, my patients would greatly benefit from access to these services. I wholeheartedly support this proposed new outpatient center, and I am committed to working with Le Bonheur to provide quality pediatric care to all children.

Sincerely

Noel K. Frizzell

NKF:mmf

www.pedconsultants.com

51 N. DUNLAP • SUITE 410 • MEMPHIS, TN 38105 • PHONE (901) 523-2945 • FAX (901) 523-8488
6215 HUMPHREYS BLVD. • SUITE 200 • MEMPHIS, TN 38120 • PHONE (901) 821-9990 • FAX (901) 821-9991
1458 WEST POPLAR AVE. • SUITE 201 • COLLIERVILLE, TN 38017 • PHONE (901) 457-2880 • FAX (901) 457-2881



A Professional Corporation

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KEITH B. OWEN, M.D.
JENNIFER S. ERDIN, M.D.
LAUREN S. MITCHELL, M.D.
CHARLES W. BAGLEY, CPNP
LINDA R. DININGER, CFNP

State of Tennessee Health Services and Development Agency Frost Building, 3rd Floor 161 Rosa L. Parks Blvd. Nashville, TN 37243

To whom it may concern:

The purpose of this letter is to express my support of Le Bonheur Children's Hospital CON to open a pediatric outpatient center located on Humphreys Blvd. near Walnut Grove Rd. in Memphis, Tenn.

Le Bonheur is nationally recognized as one of the nation's top children's hospitals and is the only provider of tertiary and quaternary care for children within 130 miles. Currently, Le Bonheur provides services at a main campus in downtown Memphis and in multiple office buildings throughout Shelby County. They are proposing to consolidate these services into a dedicated pediatric outpatient center and add the necessary diagnostic other support services to provide the children through the region with better access to specialized pediatric care. Residents of the entire service area, including west Tennessee, north Mississippi and east Arkansas will benefit from these pediatric services which currently have long wait times and limited points of access. Pediatric specialty care is a scarce resource and the multidisciplinary, specialized pediatric services available at the proposed center are an unduplicated resource in the area. I support this proposed new outpatient center and am committed to working with Le Bonheur to provide quality pediatric care to all children. We really need this addition to our healthcare system.

Thank you for your consideration in this matter.

Sincerely

Lelon O. Edwards, M.D., F.A.A.P.

Managing Director

2002/2004 Exeter Drive Germantown, TN 38138 (901) 757-3570 / 757-3530 120 Crescent Drive Collierville, TN 38017 (901) 757-3560

8110 Walnut Run Cordova, TN 38018 Phone: (901) 754-9600 8025 Stage Hills Blvd. Bartlett, TN 38133 Phone: (901) 757-3540

Mr. and Mrs. Robert Q. Wilson 4287 Amber Lane Memphis, Tennessee 38111

November 7, 2013

Melanie M. Hill, Executive Director State of Tennessee Health Services and Development Agency Frost Building, 3rd Floor 161 Rosa L. Parks Blvd. Nashville, TN 37243

Dear Ms. Hill,

The purpose of this letter is to express our support of Le Bonheur Children's Hospital's Certificate of Need to open a pediatric outpatient center located on Humphreys Blvd. near Walnut Grove Rd. in Memphis, Tennessee.

We have two daughters ages 9 and 6, who have both been patients at Le Bonheur. Our youngest daughter was born with a life-threatening condition that required her to be transferred to Le Bonheur for surgery within hours of her birth. We are thankful each day that Le Bonheur, as one of the nation's top children's hospitals, is a part of our community and can provide the continuing specialized services that she needs. These services are not provided by any other facility in the greater Memphis area. While we live in East Memphis, we have to travel to Le Bonheur's main campus downtown for many diagnostic tests and other services. We have also experienced long wait times for obtaining appointments for our younger daughter. We are pleased that this planned outpatient center will consolidate services provided at other Le Bonheur facilities into a dedicated pediatric outpatient center and also add other diagnostic and support services which will provide our daughters and other children like them with better access to specialized pediatric care.

We support this proposed new outpatient center and as volunteers at Le Bonheur are committed to working with Le Bonheur to provide quality pediatric care to all children.

Thank you for your time and consideration.

Sincerely,

Robert Q. Wilson

Catherine M. Wilson

Sheune Malson

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AFFIDAVIT

5
STATE OF Tennessee
COUNTY OF Shelby
MERI ARMOUR heing first duly avers
is the applicant named in this application or his/her/its lawful agent, that this project will be
completed in accordance with the application, that the applicant has read the directions to
this application, the Rules of the Health Services and Development Agency, and T.C.A. 68-
11-1601, et seq., and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.
and complete.
Marau CEO
SIGNATURE/TITLE
Sworn to and subscribed before me this 15th day of Novamber (Month) a Notary
Public in and for the County/State of Shelby Shelby
STATE OF TENNESSEE NOTARY PUBLIC NOTARY PUBLIC
My commission expires 11-06-2014 2014

COPY-SUPPLEMENTAL-1

LeBonheur Children's Hosp.Pediatric

CN1311-042

LE BONHEUR CHILDREN'S HOSPITAL

SUPPLEMENTAL RESPONSE CN1311-042 PEDIATRIC OUTPATIENT CENTER MEMPHIS, SHELBY COUNTY

Filed November 2013

November 26, 2013 11:50am

1. Section A, (Applicant Profile) Item 1 (Name and Address of Applicant)

Your response is noted. All Certificates of Need are site specific. Please provide a revised first page of the application which accurately identifies the address of the building into which the proposed project will be located.

Please see Attachment 1 for the revised first page with the corrected address for this project. The address originally listed was the address for Le Bonheur Children's Hospital.

2. Section A, Applicant Profile, Item 4

Please provide a copy of the applicant's corporate charter from the Tennessee Secretary of State's web-site that indicates the Corporation (Not-for-profit) has an active status. The web-site address is https://tnbear.tn.gov/Ecommerce/FilingSearch.aspx

Please see Attachment 2 for the document from the Tennessee Secretary of State's website showing Methodist Healthcare-Memphis Hospitals' active status. The applicant, Methodist Healthcare-Memphis Hospitals (Methodist), is a not-for-profit corporation that operates five Shelby County hospitals under a single license – including Le Bonheur Children's Hospital which this application addresses.

3. Section A, (Applicant Profile) Item 13

The applicant is noted as participating in the Dual Complete (a Special Needs Plan). Please provide additional information regarding this plan and what type of members are enrolled.

The United Healthcare Special Needs plan is "a type of Medicare Advantage plan for people who receive both Medicare and Medicaid (also referred to as "dual eligible")." The plan "combines all the benefits of Original Medicare (Part A and B) with prescription drug coverage (Part D)." "Many plans have \$0 to low monthly premium, beyond what you pay for Part B. Depending on the specific plan, benefits may also include care coordination, routine vision and dental coverage, credits to purchase everyday health items like vitamins, first aid supplies, and dental care products, and transportation to your medical appointments." (source: https://www.uhcmedicaresolutions.com/health-plans/special-needs.html)

4. Section B, Project Description, Item 1

Please clarify the pediatric patient age range this proposed project will serve.

Ages 0-18

SUPPLEMENTAL-#1

November 26, 2013 11:50am

Is there currently a patient waiting list for pediatric MRI services? If so, what is the wait time for an appointment?

Yes, wait time for an MRI appointment is currently 2 days. The proposed outpatient center will add capacity for pediatric subspecialty clinics and multidisciplinary clinics. The significant growth in number of physicians and visits justifies the need to add diagnostic and therapeutic capacity in the eastern market. Additionally, the proposed MRI will provide immediate access for patients in the same location with the pediatric subspecialty physician offices and will offer an additional, convenient access point for patients and families in the service area.

The applicant states the wait time for pediatric specialty appointments are well above the national standard. Please indicate what the national standards are for pediatric appointments and where the applicant is not meeting those appointment standards.

Two weeks is the prevailing standard for pediatric specialty appointments. This standard was used as the benchmark in a 2010 pediatric specialist workforce study by the National Association of Children's Hospitals and Related Institutions (NACHRI) and is commonly referenced by the American Academy of Pediatrics as the benchmark for access to pediatric specialty care.

Current physician office space in the existing locations is approaching capacity as evidenced by clinic appointment wait times noted below (as shown in the originally filed application):

TABLE 1
PEDIATRIC PHYSICIAN SUBSPECIALIST WAIT TIMES

Clinic to be located in the proposed Outpatient Center	Current average days to 3 rd next available appointment at existing locations
Pediatric Allergy	35
Pediatric Cardiology	34
Pediatric Endocrinology	70
Pediatric Gastroenterology	62
Genetics	64
Pediatric Nephrology	65
Pediatric Neurology	49
Otolaryngology	33
Pediatric Pulmonology	57
Pediatric Surgery, General	18
Pediatric Urology	49

The outpatient center will supply additional capacity for appointments with the goal of reducing wait times.

If this project is approved, will it attract additional pediatric specialty physicians?

Yes. Le Bonheur's long-range plan is to transform the main campus location into a center for highly specialized tertiary and quaternary pediatric care with a focus on academics and research. With the approval of this project, Le Bonheur will be able to offer additional access for outpatient services and open up space at the main campus to further academic and research efforts. Robust clinical, academic and research programs are highly attractive to top pediatric specialty physicians.

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Please clarify if the applicant currently treats pediatric sports injuries such as concussions and orthopedic injuries from local schools as a sports medicine provider. If so, please briefly discuss.

Sports and orthopedic injuries are commonly treated in Le Bonheur's Emergency Department, where children have access to full orthopaedic, neurological and neurosurgical capabilities. Le Bonheur provides all pediatric orthopaedic services in partnership with Campbell Clinic Orthopaedics. Campbell Clinic offers a comprehensive sports medicine outpatient program.

What other pediatric services will be available at other Methodist locations?

Other Methodist locations will continue to provide some emergency and urgent care services to pediatric patients. A pediatric inpatient unit is available at Methodist Le Bonheur Germantown Hospital and neonatal intensive care services are available at Methodist South Hospital and Methodist Germantown Hospital.

5. Section B, Project Description, Item II C .--- MRI

There are a number of considerations with the installation of MRIs on an upper floor of a medical office building which may inflate the facility preparation cost estimate. Has consideration been given to?

- a. The influence of the magnetic field in relationship to the activities of the occupants above, below and adjacent to the planned location?
- b. The magnet and its auxiliary equipment may present fairly significant weight loads to the proposed upper floor location. Has an analysis been conducted by a licensed structural engineer to affirm the weight bearing capabilities of the upper floor, will support the proposed loads, particularly in a concentrated area.
- c. Will the capacity of the entryway (and elevator, if applicable) in the building support the weight of the magnet in moving the magnet to its planned location?
- d. Are electrical systems of adequate capacity to support sufficient power to the magnet?
- e. Have facility preparation cost estimates been prepared by a licensed architect and reviewed and verified by a contractor, both of whom have experience with similar installations?

If the answers to all the above questions are yes, please provide your findings in written format. If the answers are no, but further investigation reveals additional expenses above your contingency estimate are required as a result of this project, please reflect those additional expense in revised Project Cost Chart and Projected Data Charts where applicable.

Yes. All of the above considerations were taken into account and included in the Project Costs. Please see Attachment 3 for the letter confirming this from the architect. Also, note that The West Clinic is now the tenant in the proposed site at 100 North Humphreys Boulevard. Methodist houses adult PET/CT, CTs and an MRI on the first floor of this building currently. Le Bonheur proposes to locate the MRI and CT on the first floor as

well. The structure and systems are adequate. The renovations will reconfigure the space for pediatrics and the new equipment.

6. Section B, Project Description, Item 11.D.

The applicant states the existing locations have no room for expansion and share space with adult health services. What is the square footage in the three (3) separate locations that is dedicated to pediatric services the applicant proposes to consolidate into one pediatric outpatient center? Please compare the existing square footage in the three (3) existing locations to the proposed square footage of the proposed project.

The pediatric outpatient center will consolidate existing pediatric services currently located in three separate locations throughout the eastern service area. The three ambulatory sites have the following square footage. There is no room at these sites for this consolidation of pediatric services.

- Outpatient rehab services will move from Poplar Avenue in Germantown, Tennessee. These services are in the Germantown Annex building with a total of 4,500 square feet.
- Pediatric subspecialty physician offices and the affiliated diagnostic services will move from Estate Place in Memphis, Tennessee. These services are in 7,400 square feet of space with no room for expansion.
- Pediatric subspecialty physician offices and the affiliated audiology services and pulmonary diagnostics will move from Wolf River Boulevard in Germantown, Tennessee. These services are in the building that Methodist proposed to re-purpose for the West Cancer Center (CN1311-043 – filed at the same time). Currently, these services utilize 10,900 square feet in that building.

7. Section B, Project Description, Item 1I.E. 1.b. and Item 1I.E. 3

The applicant states the proposed schedule of operations will be Monday-Friday, 8:00 a.m.-5:00 p.m. With most sporting events for children and adolescents occurring after 5:00 pm, where will children be referred who are in need of services such as an MRI scan as a result of a sports injury?

As previously mentioned, Le Bonheur's orthopedic services are provided by Campbell Clinic Orthopaedics. Campbell Clinic offers after-hours clinics for sports injuries in children. Additionally, Le Bonheur emergency services are available 24 hours a day, 7 days a week at the Le Bonheur Children's Hospital and the Methodist Le Bonheur Germantown Hospital. For emergency situations, Le Bonheur Children's Hospital offers access to comprehensive orthopedic, neurological and neurosurgical services for sports injuries.

The MRI vendor quote is noted. However, the vendor quote for purchase could not be found in the agreement, please clarify.

Per Methodist's purchasing department, vendors use the terms purchase agreement and proposal interchangeably. The quote is a quote for purchase and the price is valid if the project is approved. Please see the quote attached as Attachment 4.

8. Section B, Project Description Item III.B.

According to the plot plan, the parking appears accessible to patients. Please clarify if the parking is an improvement from existing pediatric sites.

Le Bonheur's main campus has a parking shortage and is currently planning for a new parking garage to alleviate overcrowding. Parking at the proposed location will be much more convenient for patients and families. Parking is located immediately adjacent to the building with a short walk to the main entrance.

9. Section C, Need, Item 1.a. (Construction, Renovation, Expansion, and Replacement of Health Care Institutions) Item 3.a

Table 6 of the Pediatric Physician Subspecialist appointment wait times are noted and a support letter in the attachments that indicates long wait times in obtaining appointments at Le Bonheur's main campus. Please clarify the following:

• Is the applicant currently in compliance in providing appointments in the delivery of TENNderCare screens and related services? What are the TENNderCare screens and related services appointment standards?

Primary care is not included in the wait times noted in Table 6 (which is also repeated as Table 1 in response to question #4 above) of the original application. Le Bonheur primary care providers provide appointments in accordance with the TENNderCare guidelines for all patients seen in primary care clinics.

• Is the applicant in compliance with TennCare standards that state Primary Care Physician or extender appointment standards do not exceed 3 weeks from date of a patient's request for regular appointments and 48 hours for urgent care. (Source: TennCare East/West CRA-May 19, 2008-with Amendment 12 (Effective June 1, 2013, Attachment III General Access Standards)

As stated above, primary care appointments do not exceed 3 weeks from date of patient's request for regular appointments or 48 hours for urgent care.

• Is the applicant in compliance with TennCare standards that state Specialty Care and Emergency Care: Referral appointments to specialists (e.g., specialty physician services, hospice care, home health care, substance abuse treatment, rehabilitation services, etc.) shall not exceed 30 days for routine care or 48 hours for urgent care. (Source: TennCare East/West CRA-May 19, 2008-with Amendment 12 (Effective June 1, 2013, Attachment III General Access Standards)

Many of our pediatric subspecialty appointment times exceed acceptable standards. As noted in the original application, Le Bonheur strives to achieve the benchmark of 14 days to third next available appointment.

Capacity for appointments is limited at the existing locations, and thus requires additional space to lower wait times. The proposed outpatient center would add significant capacity to subspecialty physician clinics as noted in Tables 4 and 5 of the original application (repeated here as Tables 2 and 3 for convenience). We believe that this additional capacity and continued recruitment is necessary to reduce wait times and meet the needs of patients and families in the service area.

TABLE 2 ADDITIONAL CAPACITY FOR MEDICAL SPECIALTIES

Medical physician office visits						
	Current	Projected	Change	% Change		
Rooms	13	21	8	62%		
Visits	8,975	14,498	5,523	0270		

TABLE 3 ADDITIONAL CAPACITY FOR SURGICAL SPECIALTIES

Surgical physician office visits						
	Current	Projected	Change	% Change		
Rooms	16	19	3	19%		
Visits	6,953	8,257	1,304	1970		

Please clarify if the applicant is under corrective action for appointment timeliness by any entity.

Le Bonheur is not under corrective action for appointment timeliness by any entity.

10. Section C, Need, Item 1 (Specific Criteria, Magnetic Resonance Imaging (1.)(a.))

The projected MRI utilization of 1,200 in Year One, 1,350 in Year Two and 1,500 in Year Three is noted. Please indicate when the applicant anticipates the project will meet 2.160 MRI procedures, 2.520 MRI procedures and 2,880 MRI procedures.

The project will meet the specified MRI procedure utilization in years 6, 7, and 8. Projected MRI Procedures for Le Bonheur Pediatric Outpatient Center.

Year 6 - 2,200

Year 7 – 2,500 Year 8 – 2,900

11. Section C, Need, Item 1 (Specific Criteria, Magnetic Resonance Imaging (2.)

How will the proposed MRI only effect utilization of other dedicated pediatric MRI units located at Le Bonheur's main campus?

Other providers of MRI services are not equipped to treat complex pediatric patients or young children requiring sedation. These patients can currently only be scanned at Le Bonheur's main campus. We anticipate that some of these patients will choose to have scans at the proposed outpatient center, based on convenience. This shift will impact the utilization of Le Bonheur's dedicated pediatric MRI units and will open capacity for emergent and highly specialized scans at the main campus.

12. Section C, Need, Item 1 (Specific Criteria, Magnetic Resonance Imaging (4.) and (7.c)

Table 9 is noted. Please add a column that reflects the percentage increase/decrease in MRI utilization from 2010 to 2012 for the providers listed.

The applicant states the average for MRI volumes per fixed unit is 2,955 in 2012 which is well above the 2,880 threshold. However, the criteria states this only applies when the combined average utilization of existing MRI providers is applied. Please indicate the average MRI volume for all combined MRI units in 2012.

Please see Table 4 (copy of Table 9 from originally filed application) with changes as requested. Please note the total and subtotal increase/decrease in utilization could not be computed for 2010-2012 due to missing procedure counts for the Mississippi facilities. The difference between 2010-2011 was also added for reference to note the trends.

The chart excludes the Le Bonheur interoperative MRI (iMRI) which serves a very unique purpose The iMRI unit is used in the neurosurgery operating room. Methodist - Le Bonheur has one of the largest pediatric brain tumor surgical programs in the nation. This equipment is used to assist neurosurgeons in epilepsy surgeries and the resection of brain tumors. The iMRI affords the possibility of more accurate and complete resections while decreasing the risk of additional surgery and complications. While the iMRI is pivotal in brain tumor and epilepsy surgery, it may also be utilized for intra-cranial cyst surgery, brain biopsy, catheter placement and intra-cranial vascular surgery. The iMRI serves a very unique patient population and limited volume, it allows for increased surgical success and therefore increased length of survival for children with brain tumor. In 2011, there were 64 procedures performed and 68 in 2012. Including these volumes and equipment, the average procedures per unit (40 units) in 2012 is 2,743 and 2, 874 per unit (36 units) excluding St. Jude Children's Hospital.

The combined average utilization of existing fixed MRI units in the service area excluding this highly specialized iMRI unit is 2,938 in 2010 and 2011 and 2,812 in 2012 based on the State Equipment Registry data. Yet, St. Jude Children's Research Hospital is an internationally recognized center of excellence dedicated to research and treatment for children with cancer and other catastrophic diseases. St. Jude is caring for a unique population of patients. Excluding St. Jude's volumes and equipment from the market calculation, the average for MRI volumes per fixed unit is 2,955 in 2012 which is well above the 2,880 threshold.

The Fayette mobile MRI falls under different guidelines of 600 procedures per year for this equipment that is operated one day per week. These volumes are below that threshold.

TABLE 4 UTILIZATION OF MRI EQUIPMENT, 2010-2012

91	2010		2011		2012			
Fixed Equipment	Proc	# Units	Proc	# Units	Proc	# Units	Change 2010-2011	Change 2010-2012
Hospital-Based Equipment								
Baptist Memorial - Collierville	1,941	1	1,891	1	1,734	1	-50	-207
Baptist Memorial - Memphis	11,517	3	12,052	3	11,913	3	535	396
Baptist Rehab - Germantown	1,702	1	1,622	1	1,596	1	-80	-106
Baptist Rehab - Briarcrest	370	1	585	1	650	1	215	280
Delta Medical Center	880	1	1,006	1	787	1	126	-93
Le Bonheur Children's **	3,856	2	4,599	2	5,289	2	807	1,433
Methodist Germantown	8,313	2	7,698	2	6,557	2	-615	-1,756
Methodist South	3,536	1	4,073	1	4,139	1	537	603
Methodist North	6,359	2	6,058	2	6,092	2	-301	-267
Methodist University	9,136	3	9,677	3	9,803	3	541	667
Regional Medical Center	3,733	1	3,927	1	4,491	1	194	758
St. Francis Hospital	6,159	3	5,482	3	5,393	3	-677	-766
St. Francis Hospital – Bartlett	3,030	1	3,257	2	3,642	2	227	612
St. Jude Children's Research	9,467	3	10,031	3	6,241	4	564	-3,226
Baptist Memorial – Tipton	1,213	1	1,143	1	1,265	1	-70	52
Baptist Memorial – DeSoto	7,798	3	7,366	3	N/A	N/A	-432	N/A
Non-Hospital-Based Equipmen							······································	
Campbell Clinic-Union (open'10)	64	1	2,290	1	2,155	1	2,226	2,091
Campbell Clinic	8,081	1	6,502	1	6,321	1	-1,579	-1,760
Diagnostic Imaging - Memphis	4,540	1	6,358	1	6,538	1	1,818	1,998
MSK Group - Covington Pike	3,420	1	3,096	1	3,140	1	-324	-280
MSK Group PC - Briarcrest **	4,043	(#)	4,508	¥	4,489	-	465	446
Neurology Clinic, PC	3,370	1	3,168	1	3,160	1	-202	-210
Outpatient Dx Center of Mphs	2,389	1	2,207	1	2,214	1	-182	-175
Park Avenue Diagnostic Center	3,857	2	3,080	2	2,681	2	-777	-1,176
Semmes-Murphey Clinic	7,327	2	7,300	2	6,490	2	-27	-837
Wesley Neurology Clinic **	1,393	3-15	1,398	-	1,309	=	5	-84
West Clinic, P.C	1,304	1	1,662	1	1,564	1	358	260
Carvel Imaging - Olive Branch	2,544	1	2,098	1	N/A	N/A	-446	N/A
Carvel Imaging – Southaven	2,412	1	2,307	1	N/A	N/A	-105	N/A
DeSoto Imaging Specialists	2,587	1	2,825	1	N/A	N/A	238	N/A
Subtotal Fixed Equipment	126,341	43	129,266	44	109,653	39	2,925	N/A
Avg Proc per Unit	2,938		2,938		2,812			
Subtotal Fixed w/out St.Jude	116,874	40	119,235	41	103,412	35	2,361	N/A
Avg Proc per Unit w/o StJude	2,922		2,908		2,955			

	2010		2011		2012			
Mobile Equipment	Proc	# Units	Proc	# Units	Proc	# Units	Change 2010- 2011	Change 2010- 2012
Methodist Healthcare - Fayette	373	1	324	1	271	1		-102
Source: Medical Equipment I *Note: Le Bonheur Children's I Volumes for the iMRI are exclu	Hospital has two						cifically for neur	osurgery.
** Note: Baptist Rehab Briarch with Wesley Neurology Clinic,						05	* *	

The applicant states medical emergencies will be transported 12 miles from the proposed outpatient center to LeBonheur Children's Hospital. What is the travel time during high traffic times? Please clarify if high risk patients will receive services at the proposed site or at LeBonheur's Children's Hospital.

Average travel time from the proposed outpatient center to Le Bonheur Children's Hospital is 26 minutes for non-emergency situations and 20 minutes for emergency situations. Le Bonheur's dedicated pediatric transport team is available for transport 24 hours a day, 7 days a week. Patients with extremely high-risk situations will be treated at the main campus where a full complement of support services are available.

13. Section C, Need, Item 1.a. (Service Specific Criteria (Specific Criteria, Magnetic Resonance Imaging) Item 9.a.

The applicant notes 9.a. is not applicable. Please clarify if there are no medically underserved areas as designated by the United States Health Resources and Services Administration in the proposed service area.

While the proposed site of this project is not located in a medically underserved area, there are designated areas in the service area that are deemed underserved by the United States Health Resources and Services Administration.

The Index of Medical Underserviced (IMU) is a score that "involves four variables - ratio of primary medical care physicians per 1,000 population, infant mortality rate, percentage of the population with incomes below the poverty level, and percentage of the population age 65 or over. The value of each of these variables for the service area is converted to a weighted value, according to established criteria. The four values are summed to obtain the area's IMU score." Service areas with an IMU of 62.0 or less are designated as a medically underserved area. (source: http://www.hrsa.gov/shortage/mua/index.html)

There are 59 census tracts (geographic regions defined for taking census) in Shelby County that are underserved. These areas are in central, north and south Memphis which is one of many reasons that Methodist maintains a hospital and ambulatory presence in all quadrants of the county including Methodist University, Methodist North, and Methodist South in addition to Le Bonheur Children's Hospitals.

All of the other counties in the service are designated as underserved: Fayette County's IMU is 32.80 and Tipton County's is 44.90, DeSoto County's is 47.40, and Marshall County's is 26.70. The Pediatric Outpatient Center will provide a full array of pediatric outpatient diagnostic, treatment and therapy services to the entire service area.

14. Section C. (Need) Item 3.

Please provide a map of the entire state of Tennessee designating the applicant's declared service area counties. Please provide distinctive highlighting/ markings to readily differentiate the service area counties from the other non- service area counties.

Please see Attachment 5 for another Service Area map showing the entire state of Tennessee and designating Shelby, Fayette and Tipton counties in Tennessee, and DeSoto and Marshall counties in Mississippi.

15. Section C. (Need) Item 4 (Socio-Demographic Information of the Service Area)

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.

Variable	Shelby	Fayette	Tipton	DeSoto	Marshall	Service	Tennessee
	County	County	County	County	County	Area	
Current Year (CY),				l l			
Age 65+							
Projected Year (PY),							
Age 65+							
Age 65+, % Change							
Age 65+, % Total (PY)		_,					
CY, Total Population							
PY, Total Population							
Total Pop. % Change							
TennCare Enrollees							
TennCare Enrollees as							
a % of Total							
Population							
Median Age							
Median Household							
Income							
Population % Below							
Poverty Level							

Please see Attachment 6 for the completed table for the proposed service area including Shelby, Fayette and Tipton counties in Tennessee, and DeSoto and Marshall counties in Mississippi.

16. Section C. (Need) Item 5.

Please describe approved but unimplemented CONs for MRI services in the proposed service area.

There is an unimplemented CON for MRI services in Shelby County, TN. Baptist Memorial Hospital for Women has an outstanding CON (CN1211-058) which was approved for the construction of a pediatric emergency department and the acquisition of an MRI. The equipment will be relocated from the adult Baptist Memorial-Memphis Hospital after they replace an existing unit. Baptist will increase the number of MRIs by one with his project.

As noted in the original application, the expertise of Le Bonheur's pediatric providers is unduplicated in the market, and the outpatient center will increase availability of these specialized pediatric services in a location convenient for patients and families. Adequate preparation of children for diagnostic procedures, including MRI, is vital to good outcomes. Sedation is commonly required, and the only existing facility currently capable of providing outpatient sedation for complex pediatric patients at this time is at Le Bonheur. Yet, outpatient diagnostic services at the hospital are shared with acute inpatients and emergency patients. Other local providers are currently not equipped to provide outpatient MRI services to complex pediatric patients or sedation to young children.

17. Section C. (Economic Feasibility) Question 3

Please compare the hospital cost per square foot to the following hospital construction CON approved application for years 2010 through 2012:

Hospital Construction Cost Per Square Foot Years: 2010-2012

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$99.12/sq. ft.	\$234.64/sq. ft.	\$167.99/sq. ft.
Median	\$177.60/sq. ft.	\$259.66/sq. ft.	\$235.00/sq. ft.
3rd Quartile	\$249.00/sq. ft.	\$307.80/sq. ft.	\$274.63/ sq. ft.

The construction costs per square foot are reasonable and comparable to similar CON projects approved for 2010 – 2012. See Table 5 below for the comparison of renovated construction costs – there are no new construction costs. The renovated costs are between the 1st Quartile and Median and total costs are below the 1st Quartile comparisons.

SUPPLEMENTAL-#1

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TABLE 5
CONSTRUCTION COSTS COMPARISON

	Renovated Construction	Total Construction
Construction Costs / Square Foot	\$151.46	\$151.46
Construction + Contingency Costs / Square Foot	\$166.61	\$166.61
Comparison	Between 1 st Quartile and Median	Below 1st Quartile

18. Section C. (Economic Feasibility) Question 4 (Projected Data Chart)

Please provide a projected Data Chart for the proposed pediatric outpatient center only.

Please see Attachment 7 for the Projected Data Chart and Other Operating Revenue and Expense detail for the proposed Pediatric Outpatient Center only.

Please provide a Projected Data Chart for the Proposed MRI unit only.

Please see Attachment 8 for the Projected Data Chart and Other Operating Revenue and Expense detail for the proposed Cancer Center only.

The Projected Data Chart for Le Bonheur Children's Hospital is noted. Please complete the following tables and place the tables on a separate page labeled 37A to be located after the Projected Data Chart for Le Bonheur Children's Hospital:

PROJECTED DATA CHART-OTHER OPERATING REVENUE OTHER OPERATING REVENUE CATEGORIES

1. \$ \$	
2.	
3.	
4.	
5.	
6.	
7.	
Total Other Operating Revenue \$\$	

SUPPLEMENTAL- # 1 November 26, 2013

11:50am

PROJECTED DATA CHART-OTHER EXPENSES OTHER EXPENSES CATEGORIES

	Year	Year
1.	\$	\$
2.		
3.	- 1	
4.		
5.	Vi-	7/
6.	:	2
7.	-	·
Total Other Expenses	\$	\$

19. Section C. (Economic Feasibility) Question 5

The average gross charge, average deduction and average net charge are noted. However, it is unclear if this is calculated by total patient stay or patient days. Also, please re-verify calculations.

Please see Attachment 9 for a revised calculation of Net Revenue for the Le Bonheur Children's Hospital Projected Data Chart in the originally filed application. There were typos in the original formula and an incorrect factor was used. This calculation which is repeated here for convenience is using patient days and the first full year's projected data.

The average gross charge and deduction amounts below are calculated using patient days.

Average Gross Charge	\$	17,418
Average Deduction	_	12,013
Average Net Charge	\$	5,405

Using the Pediatric Outpatient Center Project only statements attached as Attachment 7 produces the following using imaging procedures as the metric and the first full year's projected data.

The average gross charge and deduction amounts below are calculated using imaging procedures.

Average Gross Charge	\$ 3,020
Average Deduction	 1,516
Average Net Charge	\$ 1,504

20. Section C. (Economic Feasibility) Question 6.B

Please compare the MRI and CT Gross Charges per Procedure/Treatment by quartiles for years 2010 through 2012 using the following table:

Gross Charges per Procedure/Treatment By Quartiles YEAR = 2012

Equipment Type	1st Quartile	Median	3rd Quartile
CT Scanner	\$887.60	\$1,735.40	\$2,680.89
Linear Accelerator	\$849.62	\$1,077.79	\$1,406.21
Lithotripter	\$8,200.00	\$12,288.61	\$17,237.00
MRI	\$1,598.11	\$2,129.25	\$3,321.60
PET Scanner	\$3,667.96	\$4,497.71	\$6,304.71
Source: Medical Equ	ipment Registry - 6/2	8/2013	

Please see the table below summarizing the average charge per procedure for Le Bonheur Children's Hospital from the Medical Equipment Registry for 2012 as compared to the Quartiles shown above. This comparison shows the average per procedure which is easier to compare than the charge per CPT listed below.

TABLE 6
METHODIST SERVICE AREA
HOSPITAL-BASED CHARGE COMPARISON, 2012

Facility Type	Facility	Charge per Procedure	Comparison
HOSP	Le Bonheur Children's Hospital – MRI	\$ 3,743	Slightly Above 3 rd Quartile
HOSP	Le Bonheur Children's Hospital – CT	\$ 2,082	Between the Median and 3 rd Quartile

Please see the following table copied from the originally file application with 2013 charges from Methodist per CPT for comparison. MRI charges are slightly higher than the 3rd Quartile comparison, yet there are a few below the 3rd Quartile. CT charges are for the most part between the Median and the 3rd Quartile.

TABLE 7
METHODIST CURRENT CHARGE SCHEDULES

Procedure	CPT	Current Rate
CT		
3D RENDERING CT/MRI/US/OTH W POSTPROCESS	76377	\$ 1,040
CT ABD AND PEL WITH CONTRAST	74177	\$ 5,036
CT ABD AND PEL WO CONTRAST	74176	\$ 3,637
CT ANGIO CHEST W/WO CONT W IMAGE POST PR	71275	\$ 2,931
CT BRAIN/HEAD WO CONT	70450	\$ 1,820
CT MAXILLOFACIAL AREA W CONT	70487	\$ 2,518
CT MAXILLOFACIAL AREA WO CONT	70486	\$ 1,820
CT ORBIT/SELLA/POST FOSSA/EAR WO CONT	70480	\$ 1,820
CT SOFT TISSUE NECK W CONT	70491	\$ 2,518
CT SPINE CERV WO CONT	72125	\$ 1,820
CT THORAX W CONT	71260	\$ 2,518
CT THORAX WO CONT	71250	\$ 1,820

MRI

MRA HEAD W/WO CONT	70546	4,801.00
MRA HEAD WO CONT	70544	3,526.00
MRI ABD WO CONT	74181	3,526.00
MRI BRAIN & STEM W/WO CONT	70553	4,801.00
MRI BRAIN & STEM WO CONT	70551	3,526.00
MRI BRAIN FUNCTIONAL MRI BY PHYS/PSYCH	70555	2,864.00
MRI ORBIT/FACE/NECK W/WO CONT	70543	4,801.00
MRI SPINE CERV W/WO CONT	72156	4,801.00
MRI SPINE CERV WO CONT	72141	3,526.00
MRI SPINE LUMBAR W/WO CONT	72158	4,801.00
MRI SPINE LUMBAR WO CONT	72148	3,526.00
MRI SPINE THORACIC W/WO CONT	72157	4,801.00
MRI SPINE THORACIC WO CONT	72146	3,526.00

21. Section C. (Economic Feasibility) Question 9

The patient mix during the first full year of operation is noted. The patient payor mix appears to be for Le Bonheur Children's Hospital overall. Please provide a table of the Projected Data Mix for Year 2016 specific to the proposed project.

Please see Table 8 for the payor mix for the Pediatric Outpatient Center only. The payor mix filed in the original application was for Methodist Healthcare-Memphis Hospitals. The first full year of the project is 2017 which is shown below. The Health Services and Development Agency confirmed the first full year is the appropriate year for this response

TABLE 8
PAYOR MIX, 2017
PEDIATRIC OUTPATIENT CENTER PROJECT ONLY

Payor	2017 Projected Revenue	% of Total Revenue
Medicare	\$ 0	0%
TennCare/Medicaid	\$ 7,690,529	47%
Self Pay	\$ 98.808	1%
Commercial/Other	\$ 8,678,606	53%
Total	\$ 16,467,943	100%

22. Section C, Contribution to Orderly Development, Item 3.

Table 17 is noted. Please confirm table 17 is the staffing pattern specific to the proposed project? If not, please provide.

Yes. Table 17 in the originally filed application for staffing patterns is specific to the proposed project. See Table 9 below copied from Table 17 in the original application for convenience and reference.

TABLE 9 METHODIST LE BONHEUR HEALTHCARE CURRENT PREVAILING WAGES AND ANTICIPATED CLINICAL STAFFING PATTERNS, 2017-2018

		Le Bonhe	ur	BLS 2012 Memphis MSA Data *		
Methodist Position Title	FTE's 2017	FTE' s 2018	Mid Hourly 2013	Mean Hourly	Mean Annual	BLS Occupation Title
Access Facilitator	2.0	2.0	\$ 13.39	\$ 13.94	\$ 28,990	Medical Secretaries
Audiologist	1.0	1.0	\$ 31.99	\$ 26.88	\$ 55,910	Audiologist
Case Manager	1.0	1.0	\$ 31.99	\$ 25.22	\$ 52,450	Health Care Social Workers
Child Life Specialist	3.0	3.0	\$ 19.71	\$ 25.37	\$ 52,770	Healthcare Practitioners, Other
CT Tech II	2.0	2.0	\$ 26.37	\$ 25.16	\$ 52,330	Radiologic Technologist
Echocardiographer	0.4	0.4	\$ 31.99	\$ 21.53	\$ 44,780	Cardiovascular Technologist
EKG Tech	0.4	0.4	\$ 16.24	\$ 21.53	\$ 44,780	Cardiovascular Technologist
EVS attendant	1.0	1.0	\$ 11.04	\$ 13.92	\$ 28,960	Building Cleaning Workers
MRI Tech II	2.0	2.0	\$ 26.37	\$ 28.11	\$ 58,470	MRI Technologist
OccupTherapist	3.1	3.1	\$ 35.25	\$ 36.23	\$ 75,360	Occupational Therapist
Patient Escort	1.0	1.0	\$ 11.04	\$ 18.91	\$ 39,320	Healthcare Support, Other
Phlebotomist	2.0	2.0	\$ 13.39	\$ 12.77	\$ 26,570	Phlebotomist
Physical Therapist	2.6	2.6	\$ 35.25	\$ 38.74	\$ 80,570	Physical
Radiology Tech	3.0	3.0	\$ 26.37	\$ 25.16	\$ 52,330	Radiologic Technologist
Receptionist/Clerk	2.0	2.0	\$ 13.39	\$ 12.26	\$ 25,490	Receptionists and Info Clerks
Rehab Services Tech	1.0	1.0	\$ 10.44	\$ 12.40	\$ 25,790	Rehab Counselors
Rehab Supervisor	1.0	1.0	\$ 38.83	\$ 43.46	\$ 90,400	Medical/Health Services Mgrs
RN Radiology	3.0	3.0	\$ 26.37	\$ 29.09	\$ 60,500	Registered Nurse
Scheduler	1.0	1.0	\$ 14.75	\$ 13.94	\$ 28,990	Medical Secretaries
Security Officer	1.0	1.0	\$ 13.39	\$ 11.23	\$ 23,350	Security Guards
Site Manager	1.0	1.0	\$ 38.83	\$ 44.72	\$ 93,010	Managers, Other
Speech Pathologist	4.0	4.0	\$ 35.25	\$ 30.32	\$ 63,060	Speech-language Pathologist
Ultrasound Tech	1.0	1.0	\$ 31.99	\$ 25.16	\$ 52,330	Radiologic Technologist
Total	39.5	39.5				
* Source: Bureau of Labo	or Statistics	– May 2012	MSA Occup	oational Emp	oloyment & V	Vage Estimates – Memphis



23. Section C, Contribution to Orderly Development, Item (d)

The applicant has provided documentation regarding licensure deficiencies and an approved plan of action. However, please provide documentation the plan of action was accepted by the Tennessee Department of Health, West Tennessee Health Care Facilities.

Please see Attachment 10 for two letters from the Tennessee Department of Health, West Tennessee Health Care Facilities showing the plan of action was approved and that licensure deficiencies were in compliance during the re-visit.

24. Proof of Publication

Please provide a more legible copy of the proof of publication.

Please see Attachment 11 for a more legible copy of the notice of intent.

Attachment 3 Letter from Architect MRI

SUPPLEMENTAL- # 1
November 26, 2013
11:50am

November 22, 2013

Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
502 Deaderick Street – 9th Floor
Nashville, TN 37243

RE: Supplemental Information— LE BONHEUR OP CENTER-EAST, MEMPHIS, TENNESSEE

Dear Ms. Hill:

This letter is in response to the following:

There are a number of considerations with the installation of MRIs on an upper floor of a medical office building which may inflate the facility preparation cost estimate. Has consideration been given to?

a. The influence of the magnetic field in relationship to the activities of the occupants above, below and adjacent to the planned location?

b. The magnet and its auxiliary equipment may present fairly significant weight loads to the proposed upper floor location. Has an analysis been conducted by a licensed structural engineer to affirm the weight bearing capabilities of the upper floor, will support the proposed loads, particularly in a concentrated area.

c. Will the capacity of the entryway (and elevator, if applicable) in the building support the weight of the magnet in moving the magnet to its planned location?

d. Are electrical systems of adequate capacity to support sufficient power to the magnet?

e. Have facility preparation cost estimates been prepared by a licensed architect and reviewed and verified by a contractor, both of whom have experience with similar installations?

If the answers to all the above questions are yes, please provide your findings in written format. If the answers are no, but further investigation reveals additional expenses above your contingency estimate are required as a result of this project, please reflect those additional expense in revised Project Cost Chart and Projected Data Charts where applicable.

The answer to all of the questions above is yes, where applicable. The magnet and all other radiology equipment are to be located on the 1st floor which is slab on grade. Our firm prepared the cost estimates for the programmed space with input from a general contractor who has completed many similar projects.

Sincerely,

brass

11 W. Huling Avenue

Memphis, Tennessec 38103

901,260,9600

901.531.8042 brg3s.com

brg3s

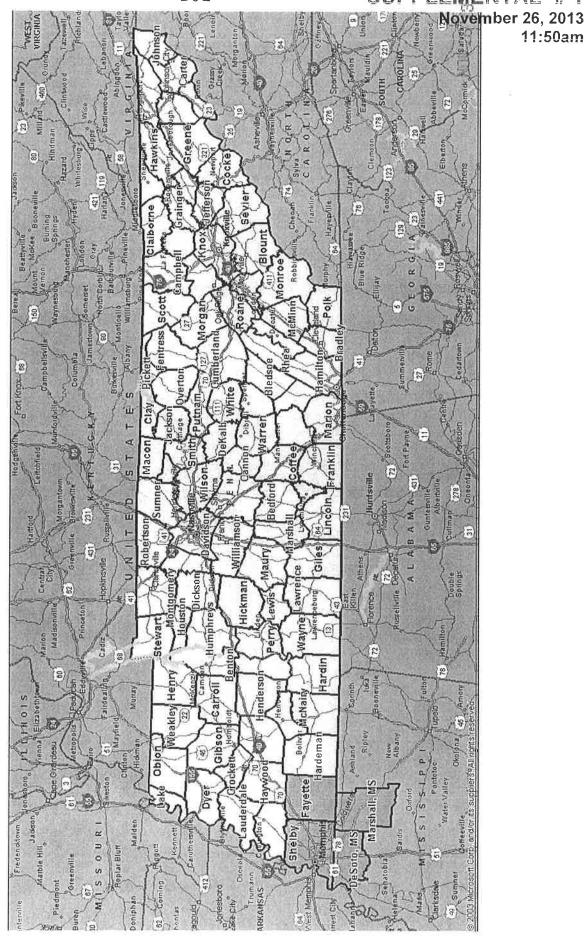
Jon R. Summers, AIA

Principal

Attachment 5 Service Area Map

11:50am

Le Bonheur Service Area



Attachment 6 Demographic Chart for Service Area

SUPPLEMENTAL- # 1 November 26, 2013 11:50am

Demographic Chart - Methodist Service Area

	Shelby County	Fayette County	Tipton County	DeSoto County	Marshall County	Service Area	Tennessee
Current Year (CY), Age 65+	106,233	6,298	7,495	18,606	5,039	143,671	939,436
Projected Year (PY), Age 65+	129,053	7,417	8,898	22,475	5,674	173,517	1,104,190
Age 65+, % Change	21%	18%	19%	21%	13%	21%	18%
Age 65+, % Total (PY)	13%	19%	14%	13%	16%	14%	17%
CY, Total Population	943,588	38,617	61,519	167,335	36,340	1,247,399	6,469,063
PY, Total Population	971,931	39,169	62,561	175,657	35,335	1,284,653	6,678,670
Total Pop. % Change	3%	1%	2%	2%	-3%	3%	3%
TennCare Enrollees	227,649	5,604	11,511	1	!	244,764	1,193,721
TennCare Enrollees as a % of Total Population	24%	15%	19%	-	-	20%	18%
Median Age	35.1	42.3	36.9	35.7	38.4	35.6	38.6
Median Household Income	\$ 46,102	\$ 57,437	\$ 50,869	\$ 59,734	\$ 33,279	1	\$ 43,989
Population % Below Poverty Level	20.1%	11.7%	15.3%	%5%	24.2%	UTIE	16.9%
Sources: Truven Healthcare Analytics- Market Expert (Claritas/Census Data) 2013 and 2018, Bureau of TennCare Enrollment Data 2013 and Census Bureau Quick Facts	Expert (Claritas/Ce	nsus Data) 2013 a	ınd 2018, Bureau	of TennCare Enro	Ilment Data 2013	and Census Bure	au Quick Facts

Attachment 7

Projected Data Chart for Pediatric Outpatient Center Only and Other Operating Details

SUPPLEMENTAL-#1

November 26, 2013 11:50am

Projected Data Chart Le Bonheur Pediatric Outpatient Center - Project Only

Give information for the (2) years following the completion of the	nis proposal.	
The fiscal year begins in January.	Year 1	Year 2
	2017	2018
A. Utilization Data (specific unit of measure)		
Total Imaging Procedures	5,453	6,210
	-,	-,
B. Revenue from Services to Patients		
1. Inpatient Services	(a	
Outpatient Services	16,467,943	19,128,768
3. Emergency Services	(4	024
Other Operating Revenue (Specify)_	(5)	
Gross Operating Revenue	16,467,943	19,128,768
C. Deductions for Operating Revenue		
Contractual Adjustments	7,827,943	9,679,292
Provision for Charity Care	121,961	149,015
Provisions for Bad Debt	317,004	397,052
Total Deductions	8,266,908	10,225,359
Net Operating Revenue	8,201,035	8,903,409
D. Operating Expenses		
1. Salaries and Wages	2,165,471	2,219,608
2. Physician's Salaries and Wages	8,697	8,914
3. Supplies	60,038	63,993
4. Taxes		
5. Depreciation	1,915,918	2,044,638
6. Rent	24	7 66 7
7. Interest, other than capital		
8 Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates	4.040.004	0.000.000
9 Other Expenses (Specify) see attached	1,612,394	2,032,389
Total Operating Expenses	5,762,518	6,369,542
E. Other Revenue (Expenses) Net (Specify)		
NET OPERATING INCOME (LOSS)	2,438,517	2,533,867
F. Capital Expenditures		
Retirement of Principal		
2. Interest		
Total Capital Expenditures		
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	2,438,517	2,533,867
_		

SUPPLEMENTAL-#1

November 26, 2013 11:50am

Projected Data Chart- Other Expenses Le Bonheur Pediatric Outpatient Center - Project Only

		Year 1 2017	Year 2 2018
1.	Benefits	\$ 565,284	\$ 579,416
2.	Maint Contract Exp	\$ 27,610	\$ 433,473
3.	Other Expense	\$ 19,500	\$ 19,500
4.	Lease Expense	\$ 1,000,000	\$ 1,000,000
Total	Other Expenses	\$ 1,612,394	\$ 2,032,389

11:50am

Attachment 8
Projected Data Chart for
MRI Project Only and
Other Operating Details

SUPPLEMENTAL- # 1 November 26, 2013 11:50am

Projected Data Chart Le Bonheur Pediatric Outpatient Center - MRI Only

Give information for the (2) years following the completion of this p	oroposal.	die-2
The fiscal year begins in January.	Year 1 2017	Year 2 2018
A. Utilization Data (specific unit of measure) MRI Volumes	1,200	1,350
B. Revenue from Services to Patients		
Inpatient Services	-	
2. Outpatient Services	6,038,843	6,793,699
3. Emergency Services		-
4. Other Operating Revenue (Specify) see attached		
Gross Operating Revenue	6,038,843	6,793,699
C. Deductions for Operating Revenue		
Contractual Adjustments	2,711,614	3,227,550
2. Provision for Charity Care	42,248	49,689
3. Provisions for Bad Debt	109,811	132,397
Total Deductions	2,863,672	3,409,635
Net Operating Revenue	3,175,171	3,384,064
D. Operating Expenses		
1. Salaries and Wages	114,723	117,592
2. Physician's Salaries and Wages	461	472
3. Supplies	25,200	28,350
4. Taxes		
5. Depreciation	483,352	522,748
6. Rent		/,=
7. Interest, other than capital	(#)	(*
8 Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9 Other Expenses (Specify) see attachment	353,703	490,602
Total Operating Expenses	977,439	1,159,764
E. Other Revenue (Expenses) Net (Specify)		
NET OPERATING INCOME (LOSS)	2,197,732	2,224,300
F. Capital Expenditures		
Retirement of Principal		
2. Interest		
Total Capital Expenditures	-	(94)
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	2,197,732	2,224,300

SUPPLEMENTAL-#1

November 26, 2013 11:50am

Projected Data Chart- Other Expenses Le Bonheur Pediatric Outpatient Center - MRI Only

			Year 1 2017		Year 2 2018	
1.	Benefits	\$	29,948	\$	30,697	
2.	Maint Contract Exp			\$	134,358	
3.	Other Expense	\$	5,000	\$	5,000	
4.	Overhead Support Allocation	\$	218,755	\$	220,548	
5.	Lease Expense	\$	100,000	\$	100,000	
Total Oth	er Expenses	\$	353,703	\$	490,602	

Attachment 9 Revised Net Revenue for Projected Data

(Please replace page in orginal application)

SUPPLEMENTAL-#1

November 26, 2013

4. Complete Historical and Projected Data Charts on the following two pages--<u>Do not modify the Charts</u>11:50am <u>provided or submit Chart substitutions!</u> Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Following this page are the Historic Data Chart for Methodist Healthcare-Memphis Hospitals, and a Projected Data Chart for Le Bonheur Children's Hospital. See Attachment C: Economic Feasibility (4) for items included in the Other Expense and Revenue amounts.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

The average gross charge and deduction amounts below are calculated using patient days.

Average Net Charge	\$ 5,405
Average Deduction	12,013
Average Gross Charge	\$ 17,418

Attachment 10

Letters from Tennessee Department of Health JACKSON, TENNESSEE 38301-3203

SUPPLEMENTAL- # 1 November 26, 2013

ovember 26, 2013 11:50am

February 13, 2008

Ms. Peggy Troy, Administrator Memphis Healthcare Memphis Hospitals 1211 Union Avenue, Ste 700 Memphis, TN 38104

RE: Licensure Surveys

Dear Ms. Troy:

On January 17, 2008, licensure surveys were completed at your facility. Your plans of correction for these surveys have been received and were found to be acceptable.

Thank you for the consideration shown during this survey.

Sincerely,

Celia Skelley, MSN, RN

Public Health Nurse Consultant 2

CES/TJW

DEPARTMENT OF HEALTH

WEST TENNESSEE HEALTH CARE FACILITIES 781-B AIRWAYS BOULEVARD JACKSON, TENNESSEE 38301-3203

SUPPLEMENTAL- # 1 November 26, 2013 11:50am

March 31, 2008

Ms. Peggy Troy, Administrator Methodist Healthcare Memphis Hospitals 1211 Union Avenue, Ste 700 Memphis, TN 38104

Dear Ms. Troy:

On March 17, 2008, a surveyor from our office completed a revisit to verify that your facility had achieved and maintained compliance. Based on our revisit, we found that your facility had demonstrated compliance with deficiencies cited on the annual survey completed on January 17, 2008.

If this office may be of any assistance to you, please call 731-421-5113.

Sincerely,

Celia Skelley, MSN, RN

Public Health Nurse Consultant 2

CS/TW

Attachment 11 Copy of Notice of Intent

SUPPLEMENTAL- # 1
November 26, 2013
11:50am

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to City of Tresdall of	ecord in Plat Book 2, age 8 ROWCT, to which	or a more complete de cription.	Lot Number 22 in the Gene Crewford Subdivision of	he City of Director, Ten-	seerd in Pint Book 2 see il ROWCT, to which	eference is hereby media	SO KNOWN AS:	Orasden, Tenhansee 3225	netters shown on any 40	unbale recorded plat, an	Ive covenants, east	hat may be applicable any efactory rights of re	demotion of any govern	federal; any prior liens or	any priority created by	matter that an accurat	might disclose, in addition	the following parties me	above-referenced prot	Jounn Cumpbell File	State Bank David	The state of the s	this Notice may be	Trustee's aption at or	fime. The right is reserved to adjourn the day of the	sale to another day, tim	further publication up	and place for the sale set	234885 274885 27480 October 28, 2013	WILSON & ASSOCIATES	Successor-Trustee Suite D.	220 Little Rock, Arkinnas 72211	(501) 219-9368 WAA No. 1286 224615	FHA No. 482-4192026	November 15, 2013	FOR SALE	WWW.MYFIR.COM and	COM	SUBSTITUTE TRUSTEE	Sale of public auction will be	12:00PM local firms, at	County Courthouse	ducted by Shapira
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nich bid will be refunded to			lender or trustee. This sale	Substitute Trustee of any	This office may be a debt	effertal to collect a deb	tained may be used to that pursons.	Shapiro & Kirzch, LLP Sub attivite Trustee	AWW. Chice of Shapiro.	Kirsch, LLP SS Parkins Road Extended	Second Floor	Phone (901)767-5566	File No. 13-0528-C	NOTICE OF	TRUSTEE'S SALE	curred in the performank	and conditions of it Dend	Trust Note dated May	of aven date securing if	2010, at Book Takii, Pag	ter of Dants for Weak	County, Tennesse, ex	bell Joann Campbell D	Campbed, conveying ce	tain property therein o	Trustee for Morige	Systems, Inc. as nomin for Dover Mortgage Co.	peny, its successors of	signed, Wilden & Asso-	Deen appointed Success	NOW, THEREFORE, of	has been declared dues	payable; and that an egg	Pillich as Success	power, dufy, and suffor	upon sald Successor Tr	on or about 3:00 P.M.	Courthouse, Dresd	certain arcounty heraic	est bidder FOR certif	sion of file sale, or cre	lending antity pre-	trustee. The sale is
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	Chilington, Tennes Toositrue, Trustee et env. 805, but such address The Office may be a debt to part of the legal de This office may be an	CONTROL OF STENE TO APPLY	FOR A CERTIFICATE OF NEED	s is to provide official notice to the Health Services	Development Agency and all interested parties,	coordance with Link, 9 born 11 801 is sed,, and the	Methodist Healthcure-Memphis. Hospitals d/b/b	Bonheur Children's HoSpital (a pediatric hospital).	ned and managed by memorial residual transfer of the	andication for a Certificate of Need to establish a	Signic outpatient center and to inflate and soquire	w magnetic resonance imaging (MRI) and computed	nography (CT) services and equipment, the tacking	The location at 100 Month management of the location as an armonic TN 186720 and will be consisted as an	hariant department of Le Bonheur Children's Hospital	a proposed center will be located approximately	miles from Le Bonheur Children's Hospital and will	clude a full array of pediatric outpatient diagnostic.	atment and therapy services. The project thyothes	proximately 26,360 square feet of renovited space.	is project does not involve inpatient beds or other	ryces for which a certificate of need is required.	ie perimated project coats are accurately	e anticipated date of filing the application is on or	dore Movember 13, 2013. The contact person for this	open is card visionships, copulant process opening	treached at Methodist Healthcare, 1407 Union Avenue.	ute 300, Memphs, TN, 38104, 901-516-0679.	son written request by interested parties, a focal	act Finding public hearing shall be conducted.	Frien requests for hearing about to some to:	Health Services and Development Agency	Angrew Jackson Genomy, Jun 1900	Mashville, Tonnessee 37243	personne to T.C.A. 5 88-11-1607(c)(1); (A) Any	earth care institution wishing to oppose a	erificate of Need application must file a written		gapey to later than titlden (13) hays, source he recutarly deheduled Health Services and	Jevelopment Agency meeting at which the	spileation is originally schodulod; and (D) Any	wher person wishing to oppose the application must	he writing objection with the mann outside allon

SUPPEMENTAL SUPPEMENTAL

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF <u>Shelby</u>
NAME OF FACILITY: LeBonheur Children's Hospital
I, MERI ARMOUR, after first being duly sworn, state under oath that I am the
applicant named in this Certificate of Need application or the lawful agent thereof, that I
9
have reviewed all of the supplemental information submitted herewith, and that it is true,
accurate, and complete.
STATE CF TENNESSEE NOTARY PUBLIC Signature/Title
Sworn to and subscribed before me, a Notary Public, this the <u>21</u> day of <u>November</u> , 20 <u>13</u> , witness my hand at office in the County of <u>Shelby</u> , State of Tennessee.
NOTARY PUBLIC
My commission expires 4 - 6 2014

HF-0043

Revised 7/02

COPY-SUPPLEMENTAL-2

LeBonheur Children's Hosp.

CN1311-042

LE BONHEUR CHILDREN'S HOSPITAL

SUPPLEMENTAL RESPONSE #2

CN1311-042 PEDIATRIC OUTPATIENT CENTER

MEMPHIS, SHELBY COUNTY

Filed November 2013

November 27, 2013 11:32am

1. Section C, Need, Item 1 (Specific Criteria, Magnetic Resonance Imaging (4.) and (7.c)

The revision to Table 9 is noted. However, please add a column that reflects the percentage increase/decrease in MRI utilization from 2010 to 2012 for the providers listed.

Please see Table below which shows the percentage change for 2010-2011 and 2010-2012. Please note the total and subtotal increase/decrease in utilization could not be computed for 2010-2012 due to missing procedure counts for the Mississippi facilities. The percentage difference between 2010 and 2011 was added for reference.

SUPPLEMENTAL- # 2
November 27, 2013
11:32am

TABLE 4
UTILIZATION OF MRI EQUIPMENT, 2010-2012

	2010)	2011		2012	2	%	%
Fixed Equipment	Proc	# Units	Proc	# Units	Proc	# Units	Change 2010-2011	Change 2010-2012
Hospital-Based Equipment	-		4					
Baptist Memorial - Collierville	1,941	1	1,891	1	1,734	1	-2.6%	-10.7%
Baptist Memorial - Memphis	11,517	3	12,052	3	11,913	3	4.6%	3.4%
Baptist Rehab - Germantown	1,702	1	1,622	1	1,596	1	-4.7%	-6.2%
Baptist Rehab - Briarcrest	370	1	585	1	650	1	58.1%	75.7%
Delta Medical Center	880	1	1,006	1	787	1	14.3%	-10.6%
Le Bonheur Children's **	3,856	2	4,599	2	5,289	2	20.9%	37.2%
Methodist Germantown	8,313	2	7,698	2	6,557	2	-7.4%	-21.1%
Methodist South	3,536	1	4,073	1	4,139	1	15.2%	17.1%
Methodist North	6,359	2	6,058	2	6,092	2	-4.7%	-4.2%
Methodist University	9,136	3	9,677	3	9,803	3	5.9%	7.3%
Regional Medical Center	3,733	1	3,927	1	4,491	1	5.2%	20.3%
St. Francis Hospital	6,159	3	5,482	3	5,393	3	-11.0%	-12.4%
St. Francis Hospital – Bartlett	3,030	1	3,257	2	3,642	2	7.5%	20.2%
St. Jude Children's Research	9,467	3	10,031	3	6,241	4	6.0%	-34.1%
Baptist Memorial – Tipton	1,213	1	1,143	1	1,265	1	-5.8%	4.3%
Baptist Memorial – DeSoto	7,798	3	7,366	3	N/A	N/A	-5.5%	N/A
Non-Hospital-Based Equipmen			A					
Campbell Clinic-Union (open'10)	64	1	2,290	1	2,155	1	3478.1%	3267.2%
Campbell Clinic	8,081	1	6,502	1	6,321	1	-19.5%	-21.8%
Diagnostic Imaging - Memphis	4,540	1	6,358	1	6,538	1	40.0%	44.0%
MSK Group - Covington Pike	3,420	1	3,096	1	3,140	1	-9.5%	-8.2%
MSK Group PC - Briarcrest **	4,043	-	4,508	-	4,489	100	11.5%	11.0%
Neurology Clinic, PC	3,370	1	3,168	1	3,160	1	-6.0%	-6.2%
Outpatient Dx Center of Mphs	2,389	1	2,207	1	2,214	1	-7.6%	-7.3%
Park Avenue Diagnostic Center	3,857	2	3,080	2	2,681	2	-20.1%	-30.5%
Semmes-Murphey Clinic	7,327	2	7,300	2	6,490	2	-0.4%	-11.4%
Wesley Neurology Clinic **	1,393	-	1,398	-	1,309	₹.	0.4%	-6.0%
West Clinic, P.C	1,304	1	1,662	1	1,564	1	27.5%	19.9%
Carvel Imaging - Olive Branch	2,544	1	2,098	1	N/A	N/A	-17.5%	N/A
Carvel Imaging – Southaven	2,412	1	2,307	1	N/A	N/A	-4.4%	N/A
DeSoto Imaging Specialists	2,587	1	2,825	1	N/A	N/A	9.2%	N/A
Subtotal Fixed Equipment	126,341	43	129,266	44	109,653	39	2.3%	N/A
Avg Proc per Unit	2,938		2,938		2,812			
Subtotal Fixed w/out St.Jude	116,874	40	119,235	41	103,412	35	2.0%	N/A
Avg Proc per Unit w/o StJude	2,922		2,908		2,955			

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	2010		2011		2012			
Mobile Equipment	Proc	# Units	Proc	# Units	Proc	# Units	Change 2010-2011	Change 2010- 2012
Methodist Healthcare - Fayette	373	1	324	1	271	1	-13.1%	-27.3%
Source: Medical Equipment I	Registry (as of J	July 16,	2013) and Miss	sissippi S	State Health Pl	an 2014		
*Note: Le Bonheur Children's I	*Note: Le Bonheur Children's Hospital has two standard pediatric MRIs and an iMRI which is used specifically for neurosurgery.							
Volumes for the iMRI are exclu	Volumes for the iMRI are excluded.							
	** Note: Baptist Rehab Briarcrest equipment is shared with MSK Group Briarcrest and Neurology Clinic PC equipment is shared with Wesley Neurology Clinic, therefore the number of units is not listed to truly reflect the number of MRIs in the service area.							

2. Section C. (Economic Feasibility) Question 4 (Projected Data Chart)

The Projected Data Chart for Le Bonheur Children's Hospital is noted. Please complete the following tables and place the tables on a separate page labeled 37A to be located after the Projected Data Chart for Le Bonheur Children's Hospital:

Please see Attachment for the additional page detailing the Other Operating Revenue and Expense for the Projected Data Chart for Le Bonheur Children's Hospital. Please amend originally filed application with these additional pages.

PROJECTED DATA CHART-OTHER OPERATING REVENUE

OTHER OPERATING REVENUE CATEGORIES Year____ Year___ 1. \$_____ \$____ 2. ______ 3. ______ 4. _____ 5. ______ 6. ______ 7. ______ Total Other Operating Revenue \$_____ \$____

PROJECTED DATA CHART-OTHER EXPENSES

OTHER	EXPENSES C	ATEGORIES
	Year	Year
1.	\$	\$
2.	×=	
3.		

SUPPLEMENTAL-#2

November 27, 2013 11:32am

4.	 	
5. 6.	 	
7.		
Total Other Expenses	\$ \$	

November 27, 2013 11:32am

Attachment 1

Replacement Page for Other Operating Details Le Bonheur Children's Hospital

(Please insert into original application)

Projected Data Chart- Other Operating Revenue Le Bonheur Children's Hospital

November 27, 2013 11:32am

			ear 1 2017	Year 2 2018	
1.	Cafeteria	\$	_	\$	196
2.	Drugs	\$	2,477	\$	2,502
3.	Gift Shop	\$	S##	\$	
4.	Telephone	\$	34	\$	34
5.	Vending	\$	66	\$	67
6.	Shared Svc	\$		\$	19(
7.	Tuition/Student Fees	\$	73	\$	73
8.	Office Rentals	\$	1,713	\$	1,731
9.	Parking	\$	===	\$	-
10.	340b Program	\$	20	\$	20
11.	HealthSouth	\$		\$	-
12.	Trauma Fund	\$	593	\$	593
13.	Rental Income	\$	-	\$	=
14.	Transp (ground & fixed wing)	\$	1,273	\$	1,286
15.	Gamma Knife	\$	45	\$	(#)
16.	Grants	\$	780	\$	788
17.	Other	\$	198	\$	200
Total Ot	her Operating Revenue	. \$	7,227	\$	7,293

Projected Data Chart- Other Expenses Le Bonheur Children's Hospital

November 27, 2013 11:32am

			Year 1 2017	Year 2 2018		
			(in thousar	ıds)		
1.	Benefits	\$	32,493	\$	33,621	
2.	Repairs	\$	5,537	\$	5,648	
3.	Professional Fees	\$	6,542	\$	6,663	
4.	Contract Service	\$	32,477	\$	33,145	
5.	Auditing Fees	\$	73	\$	74	
6.	Consulting Fees	\$	194	\$	198	
7.	Legal Fees	\$	23	\$	24	
8.	Advertising	\$	159	\$	162	
9.	Dues	\$	834	\$	851	
10.	Travel	_\$_	559	\$	570	
11.	Utilities	\$	4,680	\$	4,773	
12.	Insurance	\$	5,492	\$	5,602	
13.	Tansfers Reagents	\$)#(\$		
14.	Tansfers Laundry	\$	811	\$	831	
15.	Transfer Print Shop	\$	395	\$	403	
16.	Transfer Telephone	\$	303	\$	309	
17.	Transfers Transcription	\$	934	\$	958	
18.	Trans Cost Maint	\$	136	\$	138	
19.	Trans Cost Univ/Other Fac	\$	21	\$	22	
20.	Other Transfers	\$	(41)	\$	(42)	
21.	Books	\$	104	\$	106	
22.	Other Bus Events	\$	103	\$	105	
23.	Assoc Recruitment	\$	97	\$	99	
24.	Phys Recruitment	\$	46	\$	47	
25.'	Credit Card Fees	\$	<u> </u>	\$		
26.	Bank Svc Charges	\$	5	\$	6	
27.	Contributions	\$	386	\$	394	
28	UT Payments Oncol	\$	8,241	\$	8,799	
29.	DP Software	\$		\$	29	
30.	License and Accred Fees	\$		\$	148	
31.	Postage	\$	19	\$	19	
32.	Freight	\$	486	\$	496	
33.	Telephone incl network cable	\$		\$	252	
34.	Procurement Card	\$	134	\$	137	
35.	Purchase Discounts	\$		\$		
36.	Hosp Funding		640	\$	640	
37.	Other	\$	57	\$	58	
38.	Mionority Interest	\$		\$		
39.	Corporate Allocation	\$	32,088	\$	33,154	
40.	Physician Margin Allocation	\$	(39)	\$	(57)	
/	,		(55)	·	(01)	
Total Oth	er Expenses	\$ 7B	134,411	\$	138,382	

SUPPLEMENTAL- # 2 November 27, 2013 11:32am

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF Shelby
NAME OF FACILITY: Le Bonheur Children's Hospital
Kevin Todd after first being duly sworn, state under oath that I am the
applicant named in this Certificate of Need application or the lawful agent thereof, that I
have reviewed all of the supplemental information submitted herewith, and that it is true,
accurate, and complete.
STATE OF TENNESSEE NOTARY PUBLIC SIgnature/Title
Sworn to and subscribed before me, a Notary Public, this the 26 day of November, 2013,
witness my hand at office in the County of <u>Shelby</u> , State of Tennessee.
NOTARY PUBLIC
My commission expires $4-6$, 2014 .
HF-0043

Revised 7/02



LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper of general circulation in Shelby County, Tennessee, on or before November 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Methodist Healthcare-Memphis Hospitals d/b/a Le Bonheur Children's Hospital (a pediatric hospital), owned and managed by Methodist Healthcare-Memphis Hospitals (a not for profit corporation), intends to file an application for a Certificate of Need to establish a pediatric outpatient center and to initiate and acquire new magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis, TN 38120 and will be operated as an outpatient department of Le Bonheur Children's Hospital. The proposed center will be located approximately 12 miles from Le Bonheur Children's Hospital and will include a full array of pediatric outpatient diagnostic, treatment and therapy services. The project involves approximately 26,360 square feet of renovated space. This project does not involve inpatient beds or other services for which a certificate of need is required. The estimated project costs are \$26,798,857.

The anticipated date of filing the application is on or before November 13, 2013. The contact person for this project is Carol Weidenhoffer, Corporate Director of Planning, Research and Business Development, who may be reached at: Methodist Healthcare, 1407 Union Avenue, Suite 300, Memphis, TN, 38104, 901-516-0679.

(Signature) 11/7/2013 Carol.Weidenhoffer@mlh.org (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the

last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

HF51 (Revised 01/09/2013 – all forms prior to this date are obsolete)

BUTLER SNOW

February 11, 2014

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Methodist d/b/a LeBonheur, CN1310-042

Dear Ms. Hill:

This letter is submitted on behalf of Baptist Memorial Hospital for Women ("BMHW").

BMHW is opposed to the application referenced above to the extent it proposes to add a new MRI to the market. Existing providers of MRI services have ample capacity to meet the needs of patients, including pediatric patients. BMHW received approval from the Agency last February for a new MRI based partially on the plan to serve pediatric patients. This new MRI became operational in October of 2013 and is very close to the site of the proposed MRI.

The MRI proposed in the application does not meet the criteria for approval, and BMHW respectfully requests the Agency to deny it.

We would appreciate the inclusion of this letter in the packet sent to Agency members. Thank you for your attention to this matter.

Very truly yours,

BUTLER SNOW LLP

Dan H. Elrod

clw

The Pinnacle at Symphony Place 150 3rd Avenue South, Suite 1600 Nashville, TN 37201 DAN H. ELROD 615.651.6702 dan.elrod@butlersnow.com T 615.651.6700 F 615.651.6701 www.butlersnow.com

CERTIFICATE OF NEED REVIEWED BY THE DEPARTMENT OF HEALTH DIVISION OF POLICY, PLANNING, AND ASSESSMENT

615-741-1954

DATE:

February 28, 2013

APPLICANT:

Methodist Healthcare-Memphis Hospitals dba Le Bonheur

100 North Humphreys Boulevard Memphis, Tennessee 38120

CON#:

CN#1310-042

CONTACT PERSON:

Carol Weidenhoffer, Corporate Director of Planning

Methodist Le Bonheur Healthcare 1407 Union Avenue, Suite 300

Memphis, TN 38104

COST:

\$26,798,857

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Methodist Healthcare-Memphis Hospitals, a non-for-profit healthcare corporation, seeks CON approval to establish a hospital based pediatric outpatient center and acquire a magnetic resonance imaging (MRI) unit for its subsidiary Le Bonheur Children's Hospital (Le Bonheur) located in Shelby County. The outpatient center will contain diagnostic imaging, rehabilitation services, general diagnostic and therapy services for complex pediatric patients. This project does not change the licensed bed compliment for Le Bonheur Children's Hospital.

The project proposes to renovate 26,360 square feet of an existing building to house the services of the outpatient center. Another 24,495 square feet will house subspecialty pediatric physician offices, which are not part of this application. The total building square footage is 50,855. The first floor contains rehab services and diagnostic imaging, including MRI. The second floor will contain the subspecialty physician clinics, which are not part of this application.

Construction costs are projected at \$3,992,600 and \$151.56 (\$3,992,600 / 26,360 sq. ft.) per square foot. The total estimated project cost is \$26,798,857 and will be funded by cash reserves from Methodist Healthcare as documented by Methodist Senior Vice President Finance.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's Tennessee service area includes Shelby, Fayette and Tipton Counties, as well as DeSoto and Marshall Counties in Mississippi. Over 77% of Le Bonheur's outpatient visits originate from this area. The service area population projections for Tennessee are illustrated in the table below.

County	2014 Population	2018 Population	% Increase or (Decrease)
Shelby	943,812	954,012	1.1%
Fayette	40,930	44,888	9.7%
Tipton	63,865	67,545	5.8%
Total	1,048,607	1,066,445	1.7%

Source: Tennessee Population Projections 2000-2020, June 2013 Revision, Tennessee Department of Health, Division of Policy, Planning, and Assessment

The applicant proposes this project as a consequence of current high volumes as well as future anticipated growth due to patients seeking subspecialty care available at Le Bonheur. This project will add capacity and increased access to pediatric subspecialty services. In 2010, Le Bonheur opened a new hospital and began transforming the main campus into a center for highly specialized care. Since that time, 40 new subspecialty pediatric physicians have been added to the medical staff, increasing office visits by 23%. The increased physician office visits require more services including diagnostic imaging, general diagnostics, and rehab therapies, as well as additional office space. The current available space is near capacity. The applicant details in Supplemental Information 1, Table 1, the current wait time for the majority of subspecialty appointments is well above the two week standard referenced by the American Academy of Pediatrics.

This project would consolidate existing rehab, diagnostic, audiology, pulmonary and physician subspecialty services currently located in three separate locations. There will be nine subspecialty physician services along with the supporting ancillary services located into one full service dedicated pediatric outpatient center. The combination of services in one building will maximize resources, improve efficiency and increase patient access and care in a location convenient for patients and families, while allowing clinicians to better collaborate on diagnosis and treatment.

The applicant expects the new outpatient center will shift some clinic and diagnostic volume from the main Bonheur campus thus expanding capacity for increased research and academic work, which will support long range plans to recruit top pediatric subspecialists and provide highly specialized care to the area.

The significant growth in the number of physicians and office visits justifies the need to add MRI services at the outpatient center. There is currently a two day wait for MRI appointments. Providing MRI services at the center will allow for shorter wait times and better access for outpatients at the center, as well as for inpatients and emergent care on the main campus. Clinical applications to be provided by the MRI are neurovascular, cardiovascular, abdominal, orthopedic and spectroscopic imaging.

2012 MRI Equipment Utilization

Facility	County	Fixed Units	Procedures	Mobile Units	Procedures
Baptist Memorial- Collierville	Shelby	1	1734	0	
Baptist Memorial-Memphis	Shelby	3	11913	0	
Baptist Rehab-Germantown	Shelby	1	1596	0	
Baptist Rehab-Briarcrest**	Shelby	1(Shared)	650	0	
Campbell Clinic-Unionville	Shelby	1	2155	0	
Campbell Clinic, Inc.	Shelby	1	6321	0	
Delta Medical Center	Shelby	1	787	0	
Diagnostic Imaging-Memphis	Shelby	1	6538	0	
Bonheur Children's Hospital	Shelby	3	5357	0	
Methodist-Germantown	Shelby	2	6557	0	
Methodist South	Shelby	1	4139	0	
Methodist North	Shelby	2	6092	0	
Methodist University	Shelby	3	9803	0	
MSK Group Covington Pike	Shelby	1	3140	0	
MSK Group Briarcrest**	Shelby	(Shared)	4489	0	
Neurology Clinic, PC**	Shelby	1 (Shared)	3160	0	
Outpatient Diagnostic Center	Shelby	1	2214	0	
Park Avenue Diagnostic Imaging	Shelby	2	2681	0	
Regional Medical Center of Memphis	Shelby	1	4491	0	
Semmes Murphey Clinic	Shelby	2	6490	0	
St. Francis Hospital	Shelby	3	5393	0	
St. Francis Hospital-Barlett	Shelby	2	3642	0	
St. Jude's Children's Hospital	Shelby	4	6241	0	
Wesley Neurology Clinic, PC**	Shelby	(Shared)	1309	0	
West Clinic, PC	Shelby	1	1564	0	
Baptist Memorial-Tipton	Tipton	1	1265	0	
Subtotals		40	109721	0	
Average Procedure Per Unit			2743		

^{**} Baptist Rehab Briarcrest equipment is shared with MSK Group Briarcrest, and Neurology Clinic PC equipment is shared with Wesley Neurology Clinic. These units were not included to avoid duplication.

Source: HSDA Equipment Registry MRI Utilizations (As of 12/9/2013)

The applicant excluded the Le Bonheur iMRI unit in their calculations as it is used exclusively for neurosurgery, and stated 39 MRI units in the service area for 2012, with an average procedure per unit at 2,812. TDH included the iMRI unit in the table above for a total of 40 MRI units with an average procedure per unit of 2,743 for 2012.

TENNCARE/MEDICARE ACCESS:

The applicant, Methodist Healthcare-Memphis Hospitals, is a healthcare provider that operates five hospitals in Shelby County under a single license. The system is certified for both Medicare and TennCare/Medicaid. For the first full year of operation, 2017, the proposed payor mix for the outpatient center is 47% and \$7,690,529 projected revenue for TennCare, and 53% and \$16, 467,943 projected revenue for commercial carrier. A list of all current accepted healthcare plans is located on page 214 of the application.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 33 of the application. The total estimated cost of the project is \$26,798,857.

The total cost of the MRI is estimated at \$1,926,257 (\$1,427,825 equipment and \$498,432 maintenance). An equipment quote from Toshiba America Medical systems, Inc. is located in Supplemental One.

Historical Data Chart: The Historical Data Chart for Methodist Healthcare Memphis Hospitals is located on page 36 of the application. The applicant reports \$96,837,000, \$84,637,000 and \$88,224,000 for years 2010, 2011, and 2012, respectively.

Projected Data Chart: Two revised Projected Data Charts are located in Supplemental One. The first chart projects total imaging procedures volumes to be 5453 in year 2017, and 6,210 in year 2018, with net revenues of \$2,438,517 and \$2,533,867, respectively.

The second chart projects MRI procedures only with volumes of 1,200 in year 2017, and 1,350 in year 2018, with net revenues of \$2,197,732 and \$2,224,300, respectively.

The average gross charge for imaging procedures in year one is projected to be \$3,020 in year one, with an average deduction of \$1,516 and an average net charge of \$1,504.

Expansion of the current locations was considered but was not feasible due to lack of sufficient space. The existing locations also share space with adult health services which does not provide the same level of continuity of care as would a dedicated pediatric facility.

Opening additional locations was considered, but would not increase patient convenience or allow for the efficiencies and collaboration in providing care among specialists. This project will address capacity, efficiency, and convenience and provide a central access point in a dedicated outpatient center.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant believes this project will improve care for children in the region by offering a convenient location to receive multispecialty care while expanding capacity and increasing access. The project promotes collaboration of multi services by consolidating three existing locations. Since 2010, Le Bonheur has added 40 new pediatric subspecialty physicians which requires more office and exam space, along with the necessary hospital based services.

Once this project is complete, some services currently being performed at LeBonheur Children's Hospital can be migrated to the outpatient center increasing the hospital's long range plans to further promote research and academics.

In addition to the MRI unit, the project includes the purchase of computed tomography (CT), digital X-ray system, digital radiography, ultrasound, patient monitors, urodynamics system, anesthesia machine, and dual IV pumps.

Le Bonheur Children's Hospital has a current license from the Tennessee Department of Health, Board of Licensing Health care Facilities and is accredited by The Joint Commission on Accreditation of Healthcare Organizations.

The proposed staffing of the project includes 39.5 FTE positions. These are comprised of nursing, technologists, therapists, and administrative staff.

Methodist LeBonheur Healthcare has clinical affiliation agreements with multiple colleges including 23 for nursing, 30 for rehabilitation services, 3 for pharmacy, and 19 for allied health professionals. There are approximately 1400 students participating in these programs annually with Le Bonheur Children's Hospital as one of the clinical training sites. The applicant provides an extensive list of specialty areas associated in the training of interns and residents at Methodist-Le Bonheur on page 44 of the application.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

This criterion is not applicable.

- 2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The current subspecialty offices are located in multiple buildings throughout the area and the space required for expansion is insufficient at these sites. The long range plan to provide subspecialty pediatric care in a single designated location along with space constraints makes renovation not feasible. Costs for these alternatives were not provided as neither is a viable option.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The applicant states Le Bonheur has added 40 new pediatric subspecialty physicians to medical staff since 2010 and plans to add more over the coming years. With this additional physician staffing, the number of patients seen in Le Bonheur's pediatric subspecialty physician offices has increased 23% and is projected to grow by an additional 10% in 2014 with the proposed recruitment.

3. For renovation or expansions of an existing licensed health care institution:

a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The applicant states Le Bonheur has added 40 new pediatric subspecialty physicians to medical staff since 2010 and plans to add more over the coming years. With this additional physician staffing, the number of patients seen in Le Bonheur's pediatric subspecialty physician offices has increased 23% and is projected to grow by an additional 10% in 2014 with the proposed recruitment. The additional office visits will require increased hospital based services. The proposed project will relocate the services into one convenient comprehensive outpatient center.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The proposed project will utilize a building currently occupied by Methodist and the West Clinic for adult cancer services. A CON to relocate these adult services is being filed simultaneously. The most cost effective option is to relocate multiple pediatric subspecialty offices and incorporate hospital based services into one existing building as opposed to constructing new buildings.

MAGNETIC RESONANCE IMAGING SERVICES

Standards and Criteria

1. Utilization Standards for non-Specialty MRI Units

a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The applicant proposes the following procedure volumes: 1,200 in year one, 1,350 in year two, and 1,500 in year three.

The project will meet the specified MRI procedure volumes in years 6, 7, and 8, with 2,200, 2,500 and 2,900 procedures, respectively.

b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

This criterion is not applicable.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

The applicant proposes that Le Bonheur qualifies as an exception to the standard number of procedures due to the specialized use of the MRI for dedicated pediatric

patients located in a dedicated pediatric facility. Pediatric subspecialty physicians and hospital based services will be located in one convenient location promoting collaboration of care. The MRI area will be staffed with specially trained personnel who understand the developmental aspects of imaging children, as well as the administration of sedation during diagnostic procedures. Pediatric radiologists will read all results and pediatric anesthesiologists are available to provide sedation services on children of all ages. The additional MRI will provide improved access for ambulatory pediatric patients and will shift these patients way from the inpatient and emergency care patients of Le Bonheur's main campus.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

This criterion is not applicable.

e. Hybrid MRI Units: The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

This criterion is not applicable.

2. Access to MRI Units: All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Over 77% of Le Bonheur's outpatient visits originate from the designated service area of the proposed outpatient center.

The applicant states other providers of MRI services are not equipped to treat complex pediatric patients or children requiring sedation. These patients are routinely scanned at Le Bonheur's main campus. Table 8 of Supplemental Information #1 outlines the outpatient origination within the service area.

Economic Efficiencies: All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The applicant investigated other alternatives, but other MRI providers are not specialized to care for complex pediatric patients or offer sedation for all pediatric ages. The only other existing facility providing outpatient MRI sedation for pediatric patients of all ages in Le Bonheur's main campus, located 12 miles from the proposed outpatient site. The physicians at the outpatient center are specially trained in the administration, pharmacology, adverse effects, dosage, and emergency intervention of sedation.

4. Need Standard for non-Specialty MRI Units

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelvementh period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week \times 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

The applicant excluded the Le Bonheur iMRI unit in their calculations as it is used exclusively for neurosurgery, and stated 39 MRI units in the service area for 2012, with an average procedure per unit at 2,812. TDH included the iMRI unit in the table above for a total of 40 MRI units with an average procedure per unit of 2,743 for 2012.

The applicant also provided average procedure per unit volumes for 2012 excluding St. Jude's Children's Research Hospital as this facility cares for a unique population of patients. Excluding St. Jude from the calculation, the average procedure volume per unit in 2012 was 2,955.

5. Need Standards for Specialty MRI Units

All of question 5 is not applicable; applicant is not proposing specialty MRI.

a. Dedicated fixed or mobile Breast MRI Unit: An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:

It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;

Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;

It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.

It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

- b. Dedicated fixed or mobile Extremity MRI Unit: An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.
- c. Dedicated fixed or mobile Multi-position MRI Unit: An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.
- 6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Not applicable; applicant is not proposing specialty MRI.

7. Patient Safety and Quality of Care

The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical

The applicant provides FDA certification documentation: Attachment B: II (E).

b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant provides a letter from the project architect confirming the physical environment will conform to all required standards.

c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

On staff clinical technicians are trained in basic life support. In the event of an emergency, staff will initiate life support and call 9-1-1. If nesseccary, the patient will be transported to Le Bonheur Children's Hospital. Dedicated pediatric emergency transport is available.

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant provides Attachment C: MRI Services (7)(d) System Policy addressing Outpatient Orders for Diagnostic Services. The policy details specific guidelines pertaining to valid physician's requests for diagnostic services. Methodist uses a team of nurses to precertify diagnostic exams through the third party payers to ensure duplicative services are not performed.

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

Staffing for the proposed outpatient center meets ACR recommendations.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Le Bonheur Children's Hospital will seek accreditation by the American College of Radiology in the timeframe specified.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Patients in emergencies situations will be transferred to Le Bonheur Children's Hospital. The outpatient medical director is an active member the Le Bonheur medical staff.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

If approved, the applicant agrees to submit all information required by HSDA in a timely manner.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:
- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Not applicable.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Le Bonheur Children's Hospital is the only provider of pediatric tertiary and quaternary care in the service area.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Methodist Hospitals are certified for both Medicare and TennCare/Medicaid and participates in both programs. Methodist contracts with all the TennCare plans to offered in the service area and with Medicaid in adjoining states.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Le Bonheur's current average exam time is 46 minutes, but more complex cases take much more time. Additionally, sedation is often required for young children. Both specialized preparation and sedation require longer times impacting the ability to meet the need standard.